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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2255

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DANGER SIGNALS ANALYZED FOR EAST-WEST ECONOMIC RELATIONS IN 1980'S

West German Commentary

Bonn IWE-TAGESDIENST in German No 10, 21 Jan 82 pp 1-2

[Report from Berlin: "GDR Appeal to Western Economic Circles: East Berlin Sees Danger of Deterioration of East-West Economic Cooperation." A translation of the East Berlin HORIZONT article cited below follows this commentary]

[Text] At present the GDR is appealing to Western economic circles not to permit a deterioration of East-West economic cooperation. HORIZONT (No 4, 1982), an East Berlin weekly paper dealing with foreign policy, indicated in its most recent edition that there are fears "that a prolonged continuation of the course of political confrontation, as evidenced in the foreign policy of the current U.S. administration, will inevitably have a negative effect on economic relations--even against the will of economic circles in a number of West European countries." Additional negative effects were arising from the fact that the United States and several other NATO countries are using "economic relations as a political and economic weapon against the socialist community of states and that this trend is becoming more pronounced." In addition, the existing combination of trade restrictions against socialist states was "in part even intensified at the beginning of the 1980's." Under conditions of broadly developed economic relations, progress in the interdependence of economic interests during the 1970's, the achieved volume of East-West trade and related common interests on both sides, such a policy, the GDR foreign-policy weekly emphasized, "is without doubt of more serious significance than it was at the time when East-West economic relations first developed and the volume was still insignificant." The East Berlin paper called upon "all those who are interested in the preservation of mutually advantageous economic relations not to remain passive in the face of" these developments, and it advocated the continuation "of the political dialogue on all levels, also including leading economic circles."

GDR Scholar's Discussion

East Berlin HORIZONT in German Vol 15 No 4, 1982 (signed to press 18 Jan 82) pp 8-9

[Article by Prof Dr Max Schmidt, director, GDR Institute for International Politics and Economics (IPW): "East-West Economic Cooperation Enviroined by Political and Military Aspects." For various references to discussions of the same and related subjects see translation of an East Berlin DEUTSCHE AUSSENPOLITIK article by other IPW authors, published under the heading, "Prospects for East-West Economic Relations in 1980's Analyzed," in JPRS 80032, 4 Feb 82, No 2228 of this series, pp 1-14]

[Text] The most recent boycott and embargo resolutions as well as far-reaching threats by the United States against the USSR and Poland have again attracted greater international attention to East-West economic relations. Notwithstanding such extortinate maneuvers, it remains a fact that economic relations between socialist and capitalist countries are a necessity which arises from objective political and economic conditions. We are living in a world economy; to be sure, different socioeconomic systems are participating, but it is characterized by objective processes of the international division of labor on the basis of modern productive forces. Particularly the scientific-technical progress contributes to the continuing development of the processes of international exchange. Although there is a reciprocal relationship between economics and politics, shaping the structure of the relations, politics takes precedence; it influences relations, promotes or restricts—in other words, it has a considerable influence on their course. At the same time they represent an area of international confrontation between the states of the two world systems.

On their part, these economic relations developed an independent dynamism, particularly during the course of the 1970's; their position improved and they have become a factor in international life which does not only satisfy economic interests on both sides but it also gave economic backing to the policy of peaceful coexistence. Economic and political interests are intertwined. As a consequence a situation developed which, on one hand, provides a favorable political atmosphere in East-West economic relations, creating excellent prerequisites for the development of economic cooperation; on the other hand, established economic relations between socialist and capitalist countries have a stimulating effect on the development of relations of peaceful coexistence, because they represent a certain material foundation for political detente. This spirit, which supports using East-West economic relations in accordance with the principle of mutual advantages to strengthen the peace in Europe, is a characteristic of relations of peaceful coexistence.

Increasing the significance of economic relations, however, should not be a cause of overlooking the fact that politics is of primary importance now and will remain so in the future. Economic relations are not valueless. Sooner or later, a changed framework, in political and naturally also economic conditions will have an effect on them. All those people who are interested in the preservation of mutually advantageous economic relations are therefore asked not to remain passive in the face of any aspect of economic relations, in other words, political, military and naturally also international economic developments.

When we analyze the accompanying circumstances of East-West economic relations at the beginning of the 1980's, we recognize a hardening of the political situation, particularly because of the aggressive U.S. policy. It is having a strong effect on the policy of detente.

In addition the international economic situation has become more complicated; a phase of stagnation and slow growth has begun in the industrial countries of the West; the energy situation, raw material and environmental problems, international and domestic monetary conditions have become more precarious; the growth in world trade has slowed down, protectionist tendencies are restricting the exchange.

The socialist countries have begun a new phase of economic development, which is aiming at a stronger intensively expanded reproduction; qualitative factors of growth, effectiveness and a consistent application of scientific-technical progress determine its economic strategy and its exchange interests.

Various Influences of the International Situation

What has been and may continue to be the influence on East-West economic cooperation caused by factors relating to political and military detente?

The first thing that must be mentioned is the political climate and its influence. In many respects, the character, the extent and the trends of development of economic relations between the countries of the socialist community and the developed capitalist nations depend on the state of political relations between them. Conditions of detente accompanied by a reduction in confrontation create favorable conditions for a mutually advantageous economic cooperation and for a rational utilization of the advantages of international division of labor, whereas an increase in the degree of tension in its interrelationships restricts these conditions considerably. In spite of the complicated international situation, East-West economic relations, especially in Europe, are continuing. But the fear exists that a prolonged continuation of the course of political confrontation, as evidenced in the foreign policy of the current U.S. administration, will inevitably have a negative effect on economic relations—even against the will of economic circles in a number of West European countries.

What are the causes for this course?

First: During the course of the first half of the 1970's it became apparent that an approximate military-strategic balance was being established between the USSR as well as other Warsaw Pact states on one hand and the United States as well as the other NATO states on the other hand, which had an effect on international relations. Many U.S. politicians do not want to accept this fact. As early as the middle of the last decade--first conceptually, the practically--the desire for regaining military superiority for the United States and other NATO states was the main cause for the deterioration of the international situation.

Second: During the 1970's the striving by developing countries for economic independence and a position of equality in the world economy became much more pronounced. The monopoly was shattered of a few Western industrial countries who were dominating energy and raw material sources; the end was approaching of an era of unlimited and profitable availabilities of these sources. Instead of solving these problems with economic and political means, particularly the United States has increasingly been reverting to the use of military power. Social changes in these countries are not recognized but fought. It produces unrest, tensions as well as uncertainty in international relations and leads to an increase of tensions in various regions of the world.

Third: Within several Western countries, above all the United States, right-wing and conservative forces have moved to the forefront. Realistically thinking politicians were repressed. Views of military strength and superiority as a political means regained a dominating influence. New doctrines were prepared and adopted, reflecting the idea that a nuclear war can be conducted and won. Confrontational thinking with respect to socialist states gained the upper hand.

All these things raise the question how is the international situation developing and where will it go from here. Will attempts be successful to guarantee, expand and continue the results of detente--or is a period approaching of increasing confrontation, where the threat of military power and its use will dominate and the danger of war will increase?

The year of 1982 is a crucial year when it comes to deciding which road to take. First of all, it is necessary to make every possible effort to give new impulses to the political detente itself. It means a continuation of the political dialogue on all levels, including leading economic circles. It applies to the political dialogue between the big powers, which is of special importance, as well as to the political contributions made by others, particularly the European countries, as, for instance, the meeting between Erich Honecker and FRG Chancellor Schmidt.

Furthermore, it means an analyzation of the experiences of the 1970's, including the teachings which they transmit to us for dealing with many conflicts; it means recognizing and discussing new problems, for which identical interests exist (among them global questions, common interests in the world economy and others), to give a new impetus to the policy of detente.

There are a number of positive initiatives, because the opinion is spreading that we are living in one world, that the nuclear war must not be a tool of politics, that there is no sensible alternative to detente. The opinion is gaining a foothold, according to which peace and international security can only be guaranteed through negotiations and substantial agreements. Dialogue and negotiations are becoming more and more important.

Negative Effects of Extensive Military Build-Up

Another factor is the effect of arms production and the role of military detente on East-West economic relations. The Western policy of excessive arms production has a negative influence on the economic development. At the present time, an increase in arms production —serious investigations are proof of it—does no longer function as a means of stimulating the economy or as an anticyclical means of capitalist economic policy, but any increase in arms production has a direct effect on economic growth conditions, it deforms the economy and scientific-technical progress and increases the resource problem. Social conditions in society deteriorate. The results are inflationary influences, growing state deficits and a decline in social benefits, which will reduce the purchasing power of citizens. It applies particularly to a situation where fundamentally deteriorating growth conditions of the capitalist world economy and penetrating structural problems coincide with a completely new dimension of the arms race. All these factors intensify the crisisladen processes and also interfere with the framework of the economic conditions of East-West economic relations.

Because of the extensive arms build-up, sums are diverted from the development and promotion of East-West trade. One should only consider the fact that the United States and NATO spend \$400 billion per year on arms production. How does this sum compare to the amounts cited by a few Western experts as a "disturbing factor" in the economic relations? How much could be done for the development of East-West economic relations if only a small amount of the arms expenditures would be used for that purpose?

Military detente, arms control and limitation and, finally, step-by-step disarmament are key questions also for the realm of economic cooperation. In this respect, the point of departure must be the historically established military-strategic balance between the United States and NATO on one hand and the USSR and the Warsaw Pact states on the other hand. As a matter of fact, objectively it has become an essential foundation for the preservation and stabilization of peace.

The foreign policy of the socialist states considers the approximate military-strategic balance not as a final goal of a stable guarantee of peace but as an unalterable prerequisite, a decisive lever in the process of guaranteeing peace by recognizing the principles of peaceful coexistence, the subsequent arms limitation and disarmament and, along with it the preservation of the human civilization and continued social progress in general. For the socialist states, the military-strategic balance is a means to an end, a prerequisite for practicable political steps for arms limitation and disarmament.

Misuse of Trade as Political Weapon

Finally, the negative effect must be considered which arises from the fact that the United States--and also a few other NATO countries under pressure from the United States--is using economic relations as a political and economic weapon against the socialist community of states, and that this trend is becoming more pronounced. U.S. Secretary of State Haig emphasized that in principle there was no objection to East-West economic relations, that "potential advantages of increased East-West trade" were in the offing, that "economic relations between East and West could be established anew," but all these things could only take place--and that is the hitch--if the USSR and the other CEMA countries would demonstrate political goodwill and agree to the military-political and military-strategic concepts of NATO and the Pentagon. The open interference by the United States in domestic matters of the People's Republic of Poland, the threat and practice of economic boycott measures against Poland and the USSR are only the most recent manifestations of this concept. In reality this concept has few supporters in West Europe, because it subordinates West Europe's economic interests to the goals of the United States, but unfortunately it was to some extent incorporated in the final statement of the so-called 1981 Ottawa "Summit Talks" of leading Western politicians. According to the statement, economic relations between East and West are to be subordinated to the "political goals" of the leading Western states.

The political concept of the United States is aimed at preventing the shipment of many kinds of products to CEMA countries as long as it is in the interest of the United States. According to a statement made by U.S. Secretary of Commerce Baldrige during an AP interview, which is reminiscent of the time of the Cold War, COCOM, a NATO authority in Paris, is to use "stronger regulations" against the USSR and the other CEMA countries. It amounts to a revision of U.S. policy in this area, when the Ottawa statement demands a change in "the present system of controlling trade with the USSR with respect to strategic goods and related technologies."

The U.S. tendency of applying political pressure to international economic relations is also visible in other areas. One need only be reminded of the attempt to interfere in the import policies of a number of West European countries (for instance, the agreement to purchase natural gas from the USSR).

Another symptom of increasing attempts of political influence is the withholding of American shipments, particularly modern technology, from West European firms. This revived U.S. concept has already lead to the following consideration among the West European public: Even if a number of Western countries did not comply with U.S. demands for appropriate embargo measures or if they did so only to a limited extent, there would still be significant indirect effects from the policy pursued by the United States. Firms in Western countries have already been unable to fulfill assumed obligations of shipments to their socialist partners, because U.S. suppliers were forbidden to export certain technologies to their Western contracting partners. It is certainly understandable that leading industrial representatives in West Europe are offering resistance and, like Otto Wolff von Amerongen, president of the Federation of Chambers of German Industry and Commerce, they are demanding that more consideration be given to "the differences in economic conditions, interest and weight" between the United States and West Europe.

In the connection, political factors also have a negative effect on various kinds of trade restrictions, which were imposed against socialist states and which in part were even intensified at the beginning of the 1980's. Existing restrictions (tariffs, for instance, especially those instituted by the United States and the EC countries or restrictions on quantities and value by establishing quotas on shipments from socialist states as well as preferential rules, especially those of the EC etc.) were expanded to include additional protectionist measures, which were taken in opposition to the agreements of the CSCE Final Act. Among them are the levy of new tariffs with protectionist goals, the demand for "voluntary" export restrictions, so-called antidumping procedures against exporters from socialist countries.

Under conditions of badly developed economic relations, progress in the interrelationship of economic interests during the 1970's, the achieved volume of East-West trade and related common interests on both sides (planning in socialist countries, long-term arrangements for business transactions, job-related questions and economic effects in the West, energy shipments and purchases), such a policy is without doubt of more serious significance than it was at that time when East-West economic relations were first developed and the volume was still insignificant.

Changed Framework of Economic Conditions

In connection with the political realm, the effect of a changed framework of economic conditions on the perspective of East-West economic relations is also of significance.

The first problem is the rate of economic growth and world trade, including the trade between East and West. Of course, the deterioration of the capitalist world economy affects export opportunities for socialist states into these countries, whereas, in the West, on the other hand, the interest in socialist markets is naturally also growing, which increases the competition for the socialist market. Under these conditions it is possible to guarantee the attained volume and a certain growth in all East-West economic relations.

A second problem arises from structural changes in the economies of those countries that participate in East-West trade and to which the partners have to adjust. During the next decade socialist countries will place much importance on the modernization of a number of industries to reflect the latest technical know-how, the comprehensive introduction of an energy-and material-saving technology, the forced development of various areas of machine construction--particularly the construction of machine tools--and the faster growth of science-intensive industries. It will open up new opportunities of economic and scientific-technical cooperation.

A third problem is the energy supply, which leads to problems in energy purchases, conservation, the creation of new technologies and the discovery of new sources. On one hand, this development is a burden on national economies, on trade and payments balances. Simultaneously, however, it is a challenge for East-West economic relations and--seen as a whole--one of the most promising areas for future economic and scientific-technical cooperation between East and West. One should remember, for instance, the natural-gas pipeline business deals but also questions that are connected with the exploration of coal, gas and oil, with energy conversion and research. Within the European framework it will also be an area of multilateral projects for the future.

The fourth problem that must be mentioned is the increasing role in economic relations played by developing countries. The problems and difficulties encountered in these countries simultaneously produce new challenges for East-West economic cooperation. It refers especially to the cooperation on third markets, the trilateral cooperation utilizing the specific opportunities of each side, which will gain increasing importance during its continuing development. All these aspects are second in priority to the guaranteeing of peace, the improvement of all areas of political and military detente. Only in such a climate solutions can be found to complicated economic questions. The strategy of socialist states is directed at the improvement of these areas--growing out of our interest for life but also reflecting the fact that the economic East-West relations are a part of our efforts to guarantee peaceful coexistence as well as to find the solutions for our economic and social goals as a socialist society.

West German Commentary

Bonn IWE-TAGESDIENST in German No 4, 11 Jan 82 p 2

[Report from Berlin: "Eastern Experts Warn Against Deterioration of East-West Economic Relations." A translation of the East Berlin IPW-BERICHTER report on the September 1981 Budapest symposium cited below follows this commentary]

[Text] Experts from socialist states warned emphatically against a deterioration of East-West economic relations during the 1980's, caused by the "politics of confrontation" of certain Western circles. According to an extensive report published recently by the East Berlin periodical

IPW-BERICHTE (No 12, 1981), the experts, who were attending a scientific symposium in Budapest, called attention to the fact that the course which was being followed by the United States and NATO with respect to socialist states as well as internal problems in the economic development of Western countries will not remain without effect on East-West economic relations; the influence could be increasingly negative during the next few years. In this connection, the Eastern economic experts turned their attention especially to the United States and "reactionary imperialist circles" in other Western States and their attempts to use economic relations as an instrument of political influence on socialist countries or to exert pressure on them through embargo measures. There was also sharp criticisms of the "discrimination" against socialist states through EC foreign trade policies as well as attempts by certain EC circles to use selective relations to individual states "to undermine the unity of the socialist community." A united front is required, consisting of all socialist states, to repel these attempts. According to the report of the East Berlin periodical, the Eastern experts made an additional conclusion, according to which the national economies of the socialist countries must be strengthened, above all, through a transition to an increased use of intensification processes and further development of economic integration. In addition, special attention is to be given to the interest of West European countries to continue the development of East-West economic relations in spite of American pressures, last but not least under the aspect of guaranteeing raw material imports. For socialist countries this leads to the conclusion that, above all, long-term export lines are to be developed and that the united actions on the markets of Western countries are to be further coordinated.

Socialist Scholars at Budapest Symposium

East Berlin IPW-BERICHTE in German Vol 10 No 12, Dec 81 pp 43-45

['Scientific Life' report by Paul Freiberg and Harry Marschke: "East-West Economic Relations in the 1980's"]

[Text] It was Budapest's turn between 13 and 18 September 1981 to host the 12th session of the work group "New Phenomena in the Capitalist World Economy and the Processes of Capitalist Economic Integration". The group belongs to the Multilateral Problem Commission of the Academy of Sciences of the socialist countries which is concerned with an "Investigation of Present-Day Capitalism." The meeting was attended by representatives from the People's Republic of Bulgaria, the CSSR, the GDR, the Hungarian People's Republic and the USSR. During the meeting a symposium was conducted on the topic "East-West Economic Relations During the 1980's." It was organized by the Academy of Sciences of the Hungarian People's Republic and attended by scientists from the above-mentioned countries in addition to the permanent members of the work group representing various countries.

The symposium was opened by J. Nyilas, chairman of the Hungarian section of the Problem Commission. The foundation was the main lecture by M. Simai, member of the Academy of Sciences of the Hungarian People's Republic, deputy director of the Institute for World Economics at the Academy of Sciences of the Hungarian People's Republic. The topic was, "Several New Phenomena in World Economics Against the Background of International Cooperation."

In his comprehensive, theoretical and empirically designed lecture, M. Simai proceeded from the basic thesis that the international political and economic development at the end of the 1970's led to qualitatively new developments in the world. They have an affect on all international relations and concern the interests of socialist as well as capitalist states and also developing countries. In his opinion, the main problem is the necessity of continuing the process of detente on the basis of the CSCE agreements of Helsinki. Nevertheless, there have also been negative moments in international relations. It applies in particular to the December 1979 NATO resolution to speed up arms production and the new phase of the arms race initiated by the United States. It is leading to grave long-term consequences for the development of productive forces. In recent years, changes in the political situation were not without effect on East-West economic relations, and for good reasons Simai emphasized the fact that the arbitrary restriction of East-West trade by the United States began as early as 1978, especially in the area of modern technology. In his opinion, the influence of political factors on East-West economic relations which has been noticeable since then may even have a more profound influence in this area in future years.

Furthermore, there are factors within the internal economic development of imperialist states, which might have a negative impact on the continuing structure of East-West economic relations. Among them, in addition to already existing discriminations of traditional and new kinds, are the slow-down in the economic growth and the structural crises in major capitalist countries, which include especially the capital-goods industries but also areas such as electronics as well as industries in machine construction or automobile manufacturing.

Simai also discussed a number of current problems of the capitalist world economy, in particular the efforts by imperialist states to adjust to changes in the world economy (something which is evident, for instance, in the field of energy), also the growing protectionist trends, regulating mechanisms of state monopolies and efforts for their perfection as well as the problems of creating a new economic world order. The speaker drew the following conclusion for the states of the socialist community: The current trends in world economics demand the stabilization of national economies of CEMA countries, above all, the transition to an increased use of intensification processes and further development of socialist economic integration.

Subsequently W.G. Jelisarow (USSR) answered a few questions concerning economic relations between socialist states and the capitalist industrial countries during the 1980's. The positive effects on these relations by the international process of detente is reflected, among other things, in the growth of the East-West trade during the 1970's, which increased almost sixfold during this period and the increase was strongest in Europe. Furthermore, not only the quantity of these economic relations was increased but also the quality: Not only contractual foundations were expanded (agreements were made, for instance, to cover 10, 15 and even 25 years) and the institutional framework but, above all, new forms of cooperation were established.

Jelisarow discussed in detail the difficulties of East-West economic relations which became apparent in recent times. A special role is played by reactionary imperialist circles who are trying to use economic relations as an instrument of political influence on the CEMA countries, which is especially apparent in the case of the United States, which is also putting a lot of pressure on its allies to induce them to similar actions. The instruments used by the United States extend from the refusal to grant most-favored status, annual congressional confirmation of trade agreements, import-control legislation, credit control to the restriction of scientific-technical cooperation.

Gabriella Izik-Hedri of the Hungarian Institute for International Relations talked about East-West economic relations—especially in Europe—under changed economic world conditions. Although there are many factors that influence economic relations between socialist states and capitalist industrial countries, those that must be mentioned, in her opinion, are the situation of the world economy, the state of political relations between both groups, and finally, foreign-trade opportunities for socialist states. In spite of pressure from the United States, West European countries are very much interested in continuing the development of East-West relations, last but not least under the aspect of guaranteeing raw-material imports. For CEMA countries it leads to the conclusion that above all long-term export lines are to be developed and that the united actions on the markets of Western countries be more strongly coordinated within the framework of socialist economic integration.

J. Nitz and P. Freiberg (GDR) dealt especially with the change in the framework of political and economic conditions of the East-West economic relations in recent years and the perspectives which are a result of it. The basic orientation of the 10th SED Congress as well as of party congresses of communist and workers parties in other CEMA countries were proceeding from the assumption that economic relations with the capitalist industrial countries would also play an important role during the 1980's and thus become a stabilizing factor of the international situation. Especially these relations are to a significant degree subject to the reciprocal relationship between politics and economics and need a political atmosphere based on international security to counter the politics of confrontation of the most aggressive circles in the imperialist countries.

The new criteria of this reciprocal relationship are primarily based on the fact that the forced policy of arms production of imperialism has an extraordinarily negative effect on the economic development of capitalist industrial countries, which, in turn, has also a negative influence on international economic relations, including those between socialist and capitalist countries. A number of leading Western states are trying to use these relations as a political instrument to gain influence on the states of the socialist community. Particularly the political concepts of the U.S. administration are still oriented toward establishing embargo measures in East-West trade as long as it is in the interests of the United States, in the process of which they are trying to interfere directly in the foreign-trade policies of West European countries. At the same time, due to growing crises in capitalist countries, the framework of economic conditions for intersystematic economic relations deteriorated (because of the decline in economic growth, reduced capital accumulation, increasing inflationary processes, unstable exchange rates, high-interest policies). Furthermore, in recent years Western countries have added new restrictions to those that already existed in East-West economic relations. Nevertheless, trends that became apparent during the 1970's—exact figures are available to substantiate the information—show that conditions are favorable for providing significant perspectives for economic relations during the 1980's if the international process of detente is continued.

S. Tikal (USSR) dealt with the influence of the integrating process in West Europe on the relations between CEMA and the EEC. Following a comprehensive investigation of the essential aspects of the EEC foreign-trade policy of recent years, he discussed in detail its discriminating attitude toward socialist states, especially tariff policies, restrictions in agriculture, quantitative restrictions and other nontariff trade restrictions; he also discussed EC-Commission efforts to unify the entire complex of contractual relations with the socialist states as well as credit relations within the framework of the EEC. He pointed out the negative consequences of these attempts on the development of East-West economic relations.

Z. Zanev (People's Republic of Bulgaria) also emphasized in his lecture the strong influence of the political climate on the development of East-West economic relations, the rapid development of which had a stabilizing influence on the international situation of the 1970's. Under the influence of the process of detente, efforts were successful to achieve positive results during the development of new forms and methods of cooperation and to arrange them on a basis which will make them effective for a longer period. The speaker went into considerable details when he discussed attempts by certain imperialist circles to use trade and economic relations with socialist states as a means of creating various effects on these countries, and he spent a great deal of time on the current foreign and foreign-trade policies of the United States toward the states of the socialist community.

J. Schischkow (USSR) dealt especially with the problems of cooperation between CEMA and the EEC. He demonstrated that for a variety of reasons it is objectively required to establish mutual relations between the two groups. CEMA had presented an adequate number of proposals for that purpose, but to date the EEC has not responded with a positive reply. Schischkow analyzed the current status of relations between the two groups as well as the domestic and foreign policy factors which are determining the position of the EEC toward CEMA countries, particularly the attempts by certain circles within the EEC to undermine the unity of the socialist community by initiating selective relations with individual CEMA countries; it requires a united front representing all CEMA countries to repel such attempts.

T. Pallankai (Hungarian People's Republic) made special mention of the contradictions within the EEC with respect to the question dealing with the "common trade policy" the EC Commission is aiming for. An agreement between CEMA and the EEC would doubtlessly provide additional impulses to the processes of detente in Europe and simultaneously promote the continuing development of East-West economic relations.

Other speakers at the symposium were D. Domogyi (Hungarian People's Republic), who talked about the policy of export financing pursued by the capitalist industrial countries in East-West trade, K. Botos (Hungarian People's Republic), who discussed measures of clearing foreign trade, which have been available and in use in connection with Hungary's foreign trade with capitalist countries, E. Fayne (Hungarian People's Republic), who spoke on the influence of EC protectionism on East-West trade; M. Patai (Hungarian People's Republic), discussed the question of periodicity in the development of East-West economic relations, G. Farkas (Hungarian People's Republic) talked about the new aspects of the economic relations between CEMA and EEC countries, while K. Foeldes (Hungarian People's Republic) presented a talk on the international division of labor in the current stage of development of the world economy.

The main lecture as well as the other talks formed the foundation for an intensive and fruitful discussion, during which the main attention was directed at the perspectives of East-West economic relations during the 1980's as well as the problems that result from the current political world situation and changes in the world economy. There was general agreement that these perspectives will be largely determined by the framework of political and economic conditions during the 1980's, particularly by the question whether efforts will succeed to continue the process of detente. Furthermore, an important role will be played by the common efforts of CEMA countries to strengthen their export potential, continue improvements in their export structure and, above all, establish a harmonious procedure within the socialist economic integration.

Within the framework of the 12th symposium of the work group, there was also an exchange of opinion about the structure and principal concepts of a multilateral monograph to be prepared during the next few years, containing questions dealing with regulations by state monopolies regarding integration processes within the EEC, especially their internal and external aspects and contradictions.

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GDR SEEN FAVORING REEXAMINATION OF CEMA SPECIALIZATION AGREEMENTS

West German Commentary

Bonn INFORMATIONEN in German No 3, Feb 82 pp 8-10

['Background' report by FRG Ministry for Inner-German Relations: "GDR Proposes Discussion on Reexamination of Specialization and Cooperation Agreements With CEMA Partners." Translations of the two East Berlin articles by Prof Karl Morgenstern and Horst Tschanter, respectively, cited below, follow this commentary. Also available is a translation of the East Berlin DEUTSCHE AUSSENPOLITIK article cited below, published under the heading, "Future Trends in CEMA Economic Integration Outlined," in JPRS 80171, 24 Feb 82, No 2235 of this series, pp 1-12]

[Text] The GDR at present is evidently reexamining critically the efficiency of its cooperation with its CEMA partners. After the November 1981 issue of DEUTSCHE AUSSENPOLITIK had aired inadequacies in scientific-technical cooperation (cf. INFORMATIONEN, No 23, 1981), in the January 1982 issue of WIRTSCHAFTSWISSENSCHAFT, Prof Dr Karl Morgenstern, head of the teaching collective for socialist foreign trade, Technical University, Dresden, confronts problems in specialization and cooperation agreements within the framework of socialist economic integration. In his, what he calls, "initial ideas for" getting a discussion started, he asks, among other things, that the cooperation agreements entered into be reexamined for their economic efficiency and that one should, if necessary forget about such cooperation. Also Horst Tschanter, chief of the CEMA Working Group, SED Central Committee, in the year's first issue of DIE WIRTSCHAFT, calls for higher demands in the future to be placed on specialization and cooperation agreements.

In Morgenstern's view, cooperation in CEMA is in a transitional phase. In the past, it mainly aimed at extensive growth (higher capital and labor investment), now the emphasis lies on intensive growth (improved efficiency)--even if different in scope and tempo in various areas. This transition "to a new developmental phase of socialist international socialization of production and labor" was accompanied by an "emergence and independent solution of newly arising nonantagonistic contradictions." Furthermore, the cooperation was also being affected by the altered

"world economic circumstances." Necessary readjustment and adaptation processes could therefore temporarily constrain the further expansion of specialization and cooperation in CEMA as well as decrease the speed of growth in foreign trade. Especially in such a situation, a most critical reexamination of the division of labor in effect was called for.

Thus far, GDR economic press announcements had always presented the increasing number of specialization and cooperation agreements as a success per se. But that is not the crucial point, according to Morgenstern. Rather, one should in such an assessment pay more heed to the growth-promoting effects:

--"One must determine what was economically sound and beneficial and what is still beneficial in spite of the changes and their effects, which lines, directions and forms in the division of labor and cooperation have stood up well and which have not."

Specialization and cooperation agreements evidently have led to monopoly-type practices: Products were not further developed and lost their international competitiveness.

To keep production cooperation (the joint production of commodities, production systems and installations, based on functional ties within the production process) intact long range, Morgenstern writes, it should be increasingly tied in with R&D cooperation and with sales (export) coordination and cooperation. From that, however follows the demand that interstate production cooperation should focus more in the future at new production development and production. Commodities should be produced as rationally as possible, save labor, stably take care of the partners' needs, and boost "export capacity for all economic sectors."

Higher Requirements for Cooperation Partners

Products which, through circa 500 specialization and cooperation agreements, were traded with other CEMA states, came to a 22-percent share of CEMA trade in the GDR in 1980. Most of the agreements, as Tschanter states in his article, assures the GDR economy of modern large-volume production. This mainly in the fields of ship building, tracked vehicle production, selected chemical plants, machine tools and farm machinery--areas, in other words, in which the GDR has traditionally enjoyed a relatively high export capacity.

This indirectly confirms that these agreements essentially extend the already available production structures.

In Morgenstern's view, cooperation relations will best provide opportunities for growth benefits when they can "rely on already available favorable production conditions and experiences in those countries, and on a high technical-economic level of production and products." In view of the remaining differences in scientific-technical and economic levels among the CEMA partners--the author admits--the prerequisites for it are rather limited.

And this displays a CEMA dilemma: Being a technologically highly developed state, the GDR in many fields lacks equivalent cooperation partners in CEMA.

In practice it had also be found--Morgenstern continues--that for quite a number of cooperation measures the crucial motive had been capacity aspects: The producer of the end product was interested in gaining extra capacities for boosting his production. But the cooperation partner mainly was interested "in gathering production experiences in the given field, expanding his production structure and export assortments, and using his manpower available." Such cooperation was sometimes organized in the past without previously examining opportunities for capacity expansion through rationalization in one's own field. A special point is made of remuneration refinements in machine construction and the light industry.*

Capacity motivation, to be sure, is involved in almost all cooperation relations. Yet if they are the sole reason for contractual relations, one would more often run into lack of efficiency and disturbances in implementation, Causes for that, in Morgenstern's view, might be:

- Lack of experience;
- relatively great expenditures for the expansion, conversion or modernization of extant production capacities and for creating new production plants;
- high transportation costs;
- unfavorable material procurement conditions; or
- unsatisfactory refinement of material or ancillary parts at the cooperation partner.

To eliminate these negative effects as much as possible, "shortcomings in the technical-economic level, quality and reliability of cooperation deliveries are less and less justifiable," a protest almost verbatim in what the Tschanter article states. To be sure, Morgenstern grants, "because of the concrete developmental conditions of the socialist world economic system, cooperation relations will continue with countries or enterprises that have not yet attained to a high technical-economic production level," but it would have to be seen to it that such partners will acquire the necessary prerequisites in due time.

More Attention for Transportation Costs

Transportation costs have evidently often been ignored in cooperation decisions in the past. Therefore, Tschanter again asks:

- "An important aspect in getting set for specialization agreements is that of reducing transportation costs. Tougher yardsticks must be applied in this regard to any specialization agreement. It is necessary to include transportation costs as a standard feature of the cost and benefit computation in any specialization measure."

According to Morgenstern, mainly in the remuneration refinement accords uneconomical transportation costs have developed that must be reduced. Frequently, it seems, the one who gave the order shipped materials long distance to the cooperation partner (remuneration refiner). At times, the economic losses were further aggravated by insufficient refinement on the part of the partner enterprise.

*Remuneration refinement: Typical sort of business in international trade, be it active or passive. If active, then temporarily imported raw materials and semi-finished products which remain the property of the foreign customer, are finished

Examining the Overall Economic Benefit

The import prices of cooperation shipments are an "acute problem," Morgenstern says. One should only seek solutions where they are lower than it would be to do it oneself. But since there are not always partners with the appropriate production prerequisites, one should see whether one could not temporarily accept higher expenses for import. This would be possible if more profitable products could be made because capacities remain unused due to production expenses. So it is also possible to produce more and more rationally through cooperation where delayed production achieved no cost reduction. Ultimately, in other words, economic efficiency should determine specialization decisions. Agreements which --"do not stand up to the new criteria, should be reexamined with an eye to change. That may call for eliminating some inefficient elements or for perfecting the cooperation relations or for doing away with them sooner or later." One should furthermore examine "whether in specific cases one's own production of quotas, components and ancillary supplies would not be more suitable."

What is not said, however, is what the methods are that ought to be used to make such cost and benefit computations. Precisely because thus far CEMA has not been able to agree on an economically sound rate of exchange, the problems here addressed have arisen.

Dresden University Professor's Discussion

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30 No 1, Jan 82 (signed to press 15 Nov 81) pp 50-64

[Article by Prof Dr Karl Morgenstern (born 1926), economist, head, Teaching Collective for Socialist Foreign Trade, Department of Socialist Enterprise Management, Technical University, Dresden: "On the Growing Role of Socialist International Cooperation in Connection With Specialization." A translation of the SED Directive on the 1981-85 Five-Year Plan, cited in footnote 7, is available in JPRS 78163, 27 May 81, No 2130 of this series, pp 2-56. For a West German analysis of the Directive and for excerpts of the 1981-85 Plan and of the 1982 Plan and budget, see translation published in the following JPRS issues of this series: 79108, 1 Oct 81, No 2181, pp 42-56 and 79769, 31 Dec 81, No 2216, pp 7-29, respectively]

[Text] This article proceeds from the connections between the altered reproduction conditions and the new tasks and evaluation criteria for scientific-technical and economic cooperation in CEMA. The transition to the new developmental phase in the socialist international socialization of production and labor is part of the transition to the intensive type of reproduction in the socialist countries.

or processed for contractually agreed-upon remuneration from the foreign partner who gave the order. If passive, raw materials and semi-finished products are temporarily exported and finished or processed for contractually agreed-upon remuneration, with the property rights also remaining unchanged.

The article's focal point is the increasing role of socialist international cooperation in R&D and production in connection with their deepening specialization. In this, the unity of research and production cooperation and the systematic control over this complex cooperation all the way to sales have a great effect on making all interests conform.

This article presents the fields of production cooperation and the signs of differences in their forms, defines the concept of production cooperation and on that basis works out some possibility to improve efficiency through a more rational organization of production cooperation and specialization. An attempt is made in this connection to assess capacity-conditioned cooperation.

In a summary form, decision criteria are being formulated for international cooperation and specialization under the new conditions for cooperation.

The implementation of the sociopolitical tasks, as issued by the 10th SED Congress, with their nucleus--the economic strategy--is unthinkable without deepening socialist economic integration and, particularly, without cooperation with the USSR.

"The more the development of socialism advances in the GDR, the closer becomes the economic and scientific-technical cooperation with the Soviet Union, and the greater becomes its importance to the stability and dynamics of our economy."¹

The status report of the 26th CPSU Congress asserted that no socialist country was in the position to develop stably without relations with the other fraternal countries and solve such problems as energy and raw material supply or the introduction of the latest science and technology data.²

At the same time, in the GDR and the other CEMA countries, due to altered domestic and external reproduction conditions, resource limitations, the need for a still more rigorous intensification of the reproduction process, the foreign economy burdens, and also the exacerbation of the international class conflict, new developmental conditions and objectives arise for socialist economic integration and the shaping of the socialist international division of labor and all foreign economy relations. Putting the new tasks and higher criteria on one and the same denominator means above all: Developing, trading and rationally using the new productive forces through our division of labor and joint efforts and further developing to that end the socialist production relations in international cooperation.

The process of growing from a cooperation and division of labor among the CEMA countries that was initially oriented more to extensive growth to one that places a priority on intensive growth has already begun--if different in scope and tempo in the various fields. That process now has to be speeded up. The historic conditions that created the socialist world economic system have their after-effects and have an influence on the solution of that task.

The transition to this new developmental phase in the socialist international socialization of production and labor is a complicated process tied up with the emergence and constant solving of newly arising nonantagonistic contradictions. It is an inseparable component of the continuing, gradually proceeding transition to an intensive type of reproduction in the various countries, finding its foundations in it and preserving a reciprocity with it. At the same time, it is being affected by the altered world economic circumstances. For these reasons, and because of the requisite conversions and adjustments in science, technology, production and economic structure to the altered conditions for satisfying demands and for reproduction, certain barriers may temporarily arise in some fields to expanding international specialization and cooperation, and there may come a generally diminished, and with some countries a more strongly differentiated, rate of growth in foreign trade. On the other hand, these new conditions, precisely, call for using all opportunities to deepen socialist economic integration and rationally draw the economy into the international division of labor. Comprehensive and effective development, production and the application of the latest technology, and the further extension of socialist and worldwide division of labor are all closely interrelated.

New Tasks--New (Expanded) Evaluation Criteria for Cooperation

Higher efficiency and better quality has for some time already been the goal of the various economies and of socialist international division of labor. The acuteness and complexity of that objective will, however, increase greatly in the years ahead. At the 10th party congress, an explanation was provided for the need for a high and stable rate of growth despite strong resource limitations in raw materials, energy, investments and manpower, despite continuing price increases, above all for energy sources on the international markets, and the growing expenses of our own basic materials industry. That explains the entirely new rank assigned to saving money in the all-inclusive sense, to rationalization, quality improvements, raw material and material refinement, the production of high-grade commodities that bring in foreign exchange, and the qualitative improvement of the production and export structure (as well as the import structure) of the GDR. We have to produce more and better out of what we have and do it as rationally as possible.

The other European CEMA countries find themselves in a similar situation, their sources for extensive growth having dried up, and yet their economic requirements confront possibilities that are not all the same. That has much to do with determining specific interests in integration measures.

There are new conditions for the skeleton agreements for cooperation within CEMA. Effectively encouraging intensively expanded reproduction through socialist international division of labor and cooperation, saving money and cutting back jobs, economizing extensively, applying the latest science and technology data broadly and rationally--therein lies a new quality; it has to give a qualitative thrust to our cooperation. This, as was stressed at the 34th and 35th CEMA conferences, has to crystallize in novel technologies, a broad development and production of high-grade means of production and consumption at the internationally highest technical-economic standards, customer service at world market capacity, and reliable and rational division-of-labor relations. For that reason, the level and developmental

tendencies of socialist economic integration have to be more strongly examined and evaluated in terms of these qualitative criteria and the forms of joint efforts and production that are producing them.

The growth of reciprocal trade is an important indicator, but not only quantitative growth is decisive, but mainly also the trade structure and the qualitative level of the jointly developed, produced and traded technologies, working materials, machines, equipment and consumer goods, measured against international standards. Likewise, it is not so much the number of measures and contracts on international specialization and cooperation that is crucial, but mainly the efficiency improvement effected by them and the scientific-technical progress in fields that are critical for economic development and long-term growth.

Thus it has become necessary to tap the international specialization and coordination among the CEMA countries and beyond them as an important source for the growth, intensification and qualitative change of the economic structures and to gear them still more consistently to the economic development priorities of the economies and the whole socialist community (long-term raw material and energy supplies, development of more productive technologies, optimum refinement of materials and products, and strengthening exportability in all economic fields) and integrate the specific tasks within overall economic objectives and conditions. That has already been started through the implementation of the long-range target program and the bilateral international specialization and cooperation programs with the USSR. This includes the task also to use specialization and cooperation more for making our foreign economy relations with developing countries and capitalist industrial countries more effective and systematically take into account the interrelations existing for it.

To get this new quality of cooperation, we need an accurate analysis of our division of labor thus far with both socialist and nonsocialist countries. We must find out what has been sound and beneficial economically and what still is beneficial, despite changed influences, which lines, directions and forms in our division of labor and cooperation have proven themselves and which have not, and how under current conditions we should concentrate, specialize and cooperate. What matters is to secure mutual advantage for every measure and attain a high use value for the economies involved.³

The Objective Requirement for Deepening and Rationally Organizing Cooperation Relations Among the CEMA Countries

Noticeably promoting mainly intensive economic growth, a steady performance improvement and a big drop in production consumption makes greater demands on all sides and forms of foreign economy relations. In this, socialist international cooperation receives an increasing place value, especially research and production cooperation. "The qualitative level and rate of growth in reciprocal shipments are increasingly determined by the results of research and production cooperation."⁴ With it, coordinated activity in the circulation sphere, in foreign trade and, for some fields, export cooperation are becoming an urgent requirement. (That applies particularly to the deliveries and construction of complete installations and other objects.)⁵ Solving the tasks and problems at ever larger dimensions and the further interlinkage between internal and external reproduction relations call for a complex structuring of international division-of-labor relations on behalf of high efficiency and preserving conformity among the countries' interests.

The development, in breadth and depth, of socialist international specialization and cooperation is an organic component of the development of the productive forces; it creates new productive forces and marks a higher level in the development of socialist production relations on an international level, that of immediate social production.

The objective need for expanding and deepening socialist international cooperation is tied up with the development of the productive forces and of the international division of labor, mainly with the deepening division of labor in specifics. It results from the high speed of scientific-technical progress, the growing dimensions of social production, the increasing demands and production diversification, on the one side, and from resource limitations, production possibilities and the countries' diverse experiences, on the other. These conditions compel, in ever increasing fields, a direct cooperation among enterprises, combines or associations, science institutions and economic management organs of the countries in all domains of social production, for effectively combining their material, financial and mental potencies in suitable forms.

The predominant role of science and technology for economic and overall social progress, as formulated by the 26th CPSU Congress and in the 10th party congress economic strategy, increases the weight of scientific-technical cooperation within CEMA, especially with the USSR. Along with forms like providing information, coordinating themes, exchange of technologies, "know how," and so forth, this mainly relates to research cooperation as the highest form of international scientific-technical cooperation. The point is, after all, to cope with the main trends of scientific-technical progress, through joint efforts, such as microelectronics, the most up-to-date computer and control techniques, robot technology, biotechnology, nuclear energy development, providing for alternative energy sources, the development of new technologies and techniques that save material, energy and manpower, and creating appropriate equipment and new working materials. Many scientific-technical tasks have already been resolved in recent years through joint or coordinated efforts. That has been true especially of the cooperation with the USSR.⁶ But now a still more resolute concentration is needed on these very lines that currently determine our scientific-technical revolution, a "firm connection with the scientific-technical potential of the USSR."⁷ That is reflected by the multilateral agreement (concluded at the 35th CEMA conference) and the bilateral agreement with the USSR on cooperation in the field of microelectronics.

The SED Central Committee report to the 10th party congress has made the point that social and economic benefit has to be the focal point for science requirements; that fully applies to projects in international research cooperation. Therefore there is full conformity between the scientific-technical goals, that must clearly be oriented to highest international standards, and the economic effects to be achieved through intensification, an improved production and export structure, and the all-round strengthening of export capacity. For that one has to be accurately informed about scientific-technical and economic development trends, the requirements of the domestic and foreign users, and the requirement and market trends.

Important prerequisites for still more productive scientific-technical cooperation among the CEMA countries are concentration in theme selection and in distributing manpower and funds, a precise division of labor and task assignment within the

contractual framework, with an eye to the experiences and potentials available in the countries, and the application of the most effective forms and conditions for cooperation, including material and moral responsibility and an inducement for the fulfillment of the assigned goals. But what is ultimately decisive is a fast application and broad use of the data gained in production and greatest export efficiency, that is to say, the economic effectiveness of the joint efforts in science and technology. It follows from that more attention must still be paid in our cooperation to the "science-technology-production" cycle by a more systematic control of it within the economy. For that, a direct connection according to plan is in many cases needed between international research and production cooperation at a much broader scope than has previously been the case. That includes coordinating investment policies in good time and, where necessary, a target-directed cooperation in the particular investments themselves.

These are the fields of production cooperation:

- The cooperation in the production, delivery and installation of complete plants, technological lines and other objects (installation cooperation);
- the cooperation in product components for particular final products or production groups or assortments (usually called component group cooperation for short);
- partly combined measures in reconstruction and rationalization; and
- investment cooperation.

Measures in these fields may be interrelated and mutually complementary.

Joint reconstruction and rationalization becomes more important with our intensification and the priority use of investment means as rationalization investments. Investment cooperation is partly tied up with it, while it still is to be shown as a field in its own right. This does not include such forms of investment cooperation as a mere coordination or correlation, but it means immediate joint investment activity for setting up new production capacities or expanding or modernizing enterprises and other facilities.

Production cooperation defined so broadly, one then must distinguish production cooperation in the more narrow sense, which sometimes also is called production technique cooperation. This includes plant and component group cooperation and joint measures in reconstruction and rationalization only when they directly lead to a deepening of international specialization and more long-range production cooperation. Immediate production cooperation, after all, is the joint production of commodities, commodity systems and plants.

International socialist production cooperation is a precisely delineated, purposeful and joint activity by independent enterprises (economic units) in socialist states on the basis of the functional ties in the production process. Depending on the subject of cooperation, they are based on more or less uniform construction principles and unified technological management. It normally is more long-range and increasingly ties in with R&D cooperation and with sales (export) coordination and cooperation. That attaches an important weight to economic and commercial terms, along with technical specifications, in production cooperation agreements. The interest conformity and the functioning of cooperation relations largely depend on agreement about and the abiding by these aspects.⁸

Joint reconstruction and rationalization or investment cooperation may be tied in with international specialization. That is true of olefin cooperation. The object can, however, also be joint efforts of various kinds for the production of identical or similar commodities in the participating countries (as, e.g., not infrequently in reconstruction and rationalization measures in the light industry).

Production cooperation in the more narrow sense, however, always develops in close interconnection with international specialization, with concentration. Optimum use can be derived from the socialist international division of labor only when management and planning deliberately conform to this objective unity of the sides and forms of the division of labor, to social production organization, in uniformly and efficiently organizing the division of labor process.

Cooperation depends on the object of cooperation, the concrete tasks to be solved, the developmental stage of the participating economies or enterprises (their technical-economic level, the degree to which R&D and production prerequisites are available), and its motives in various forms. These are, by way of example, distinguishing marks of various cooperation relations:

- Cooperation based on one's own scientific-technical data and a developed technological base or with support from the partner through receiving technical documentation or acquiring scientific-technical data or production documents in license form;
- the complicated nature of cooperation relations in connection with the complicated nature of end products and production components, the depth and ramifications of the cooperation relations;
- the complexity of cooperation as it relates to the immediately included reproduction phases; or
- the type and degree of combining scientific-technical potentials, production potentials and financial resources.

The selection of the, at any time, required and possible forms, with a view to all components having an effect on it, and the application of appropriate conditions crucially control the cooperation efficiency.

The purpose of international production cooperation at this time, much more emphatically than at times in the past, is to produce new high-grade commodities with the highest international (competitive) technical-economic parameters, to produce them as rationally as possible, save social labor, stably, and reciprocally, satisfy coordinated demands, and boost exportability into all economic sectors.

In parallel with research cooperation, it is important to draw mainly those branches and areas into international specialization and cooperation that are crucial for all-inclusive economic efficiency boosts and form the basis for long-term assured economic growth. At the same time, international specialization and cooperation must bring a more effective influence to bear on continually improving the production and foreign trade structures of the economies involved and on an effective further development of the GDR's production profile and export structure.

The 10th party congress directive states: "For it, existing specialized capacities are to be used rationally, and highly effective specialized capacities are to be developed by way of rationalizing enterprises, and production departments and areas,

with the idea to produce by way of the least expenditure commodities to satisfy the demands of the GDR and other countries."⁹ This places new accents on our approaching our socialist international division of labor and cooperation.

What follows are initial ideas on answering the question what opportunities production cooperation provides to further growth and efficiency and produce more high-grade commodities through the smallest possible efforts. They are intended to point out some interconnections that seem essential and stimulate our debate.

Efficiency Boost Opportunities Through Production Cooperation

The efficiency of cooperation relations essentially depends on a technically and economically sound selection of the object and on the cooperation partner, on a precise correlation of, and abiding by, mutual obligations (scope, structure and schedule of deliveries, prices, quality parameters, spare part deliveries) and their effective stimulation, on having the economies and enterprises involved create the prerequisites for all that in good time (such as the application of more productive technologies and forms of production organization, manpower training, investment allocation, coordination according to plan and integration of the measures with the foreign trade balances), on transportation (especially in transport-intensive two-way traffic), and the refinement of materials or the prefabricated parts and the ancillary supplies.

The cooperation for product-specific components, parts and equipment presupposes a particularly close cooperation between the cooperating sides in technical-technological and organizational respects, a synchronized production process--as well as for standardized parts that have multiple applications--and a quick reaction capability when economic conditions for the production and sale change.

Basically speaking, those cooperation relations best offer the possibility for achieving growth and efficiency advantages that can extend already available favorable production prerequisites and experiences in their countries, relying on a high technical-economic production and commodity level.¹⁰ There, production can be broken up and distributed (specialized) under the most suitable technical-technological and economic aspects and by making use of optimum conditions for partial fields or processes respectively. And, depending on what sort of production it is, site advantages with respect to raw material and material resources, the geographic location and transportation conditions play a role in this as well.

Quality improvements, enhanced refining of the object of cooperation, improved labor productivity and savings of various sorts which may not be compensated for through higher transportation costs are, potentially, to a large extent ensured under such conditions. For that reason, one should, as much as possible, give priority development to such specialization and cooperation relations. But even there one needs to correlate of course the various technical-economic and commercial factors and interests to turn cooperation relations actually to mutual advantage and make it reliable, stable and elastic.

In practice it has been found, however, that for quite some cooperation measures capacity aspects are the decisive motive, without there being any favorable production prerequisites. To put it more bluntly: The end producer sought or seeks

extra capacities for boosting the output of products concerned and surmounting capacity bottlenecks, while the cooperation partner was or is interested in gaining production experience in the given field, expanding his production structure and export assortments and using available manpower. The boundaries between capacity-conditioned and technologically and economically sound cooperation sometimes fluctuate from the start or may get more or less blurred in the development of cooperation relations. Capacity aspects almost always play a certain role in cooperation. And yet there are differences; in the field of vision for critical considerations mainly stands the first-mentioned kind or cause of international cooperation relations.

Capacity-conditioned cooperation were sometimes organized, on a priority basis, in the past without having given sufficient thought to the possibilities of expanding capacities in one's own economy by means of rationalization, and without an adequate analysis of better alternatives to one's own production or of an international division of labor in other corresponding fields. This already suggests certain reservations regarding the utility of such cooperation relations. It applies in particular to cases of remuneration refinement in machine construction and in light industry.

Yet we cannot generally reject cooperation primarily for capacity reasons (e.g. when machinery, equipment or labor is in short supply). They may be economically justified if they contribute to improving the satisfaction of demands and to improving economic efficiency.

The problem, however, is that these cooperation relations not rarely contain or may contain critical levers with regard to efficiency. To be sure, any time that a unified production process is broken up or specialized, instabilities and disturbances may result, which leads to reservations and is one of the causes that slow down or even interrupt the division of labor process. For that reason, a far-reaching prevention of disturbances and the installing of compensation factors are an important condition for a smooth functioning of the cooperation relations. Yet in exclusively capacity-conditioned cooperation relations, inefficiency and disturbances are more likely from the ground up. Causes may be:

- Lack of experience;
- relatively large expenditures for the expansion, conversion and modernization of available production capacities or the setting up of new production plants;
- high transportation costs;
- unfavorable material procurement conditions; or
- insufficient material refinement or that of ancillary parts at the cooperation partner.

Disturbances caused that way may have negative effects on qualities and the technical-economic level, the reliability of shipments, the costs and the import prices and make transportation and material even still more expensive.

What conclusions can be drawn from these problems? What handles are there for changing such cooperation relations and making them more efficient?

The chances for making mainly these cooperation relations more efficient lie in the correct selection of the object of specialization and cooperation and of the cooperation partner, in target-directed assistance, in checking the suitability of the material procurement conditions and, partly, in enhanced refining of products at the cooperation partner's (either from the outset or in tendency), and in cutting back transportation.

Due to the concrete development conditions of the socialist world economic system, there will continue to be cooperation relations with countries or enterprises that have not yet attained to a high technical-economic production level. What is always necessary, however, is a conformity between the complicated nature of the object of cooperation and the given or rapidly attainable production conditions of the partners. As to the technical-economic level, and the quality and reliability of cooperation shipments, it is less and less justifiable to make allowances. Either appropriate prerequisites must exist from the outset or it must be apparent that they will be created in a reasonable time frame. That includes technological, organizational and economic assistance. It presupposes effective economic and legal inducements and regulations that affect abiding by precisely agreed-upon parameters (including the prices) and a high respect for delivery obligations.

Transportation is a factor that plays an increasing role. Cutting back transportation within the economies and in international traffic can help greatly reduce production consumption. Transportation economy is determined by distances, the concrete transportation conditions, the object of cooperation, the level of the value portion added, material deliveries and other things. In general, this is the rule: The smaller the added live labor (volume and skills) or the smaller the value of the product created through cooperation, the more important transportation expenses become (not counting the prices, the transportation intensity of the product, and the transportation dues and conditions). That can be especially critical in matters of remuneration refinement, when all material is ordered, possibly under unfavorable conditions. Uneconomical shipments can result from that in more than one sense. That must be cut back.

Material consignment at the established scope is economically hardly justifiable. Especially uneconomical are copious material consignments over long distances and expensive to transport. The lack of rationality is then still further aggravated when the cooperation partner does not do much refining. Such consignments can become necessary and suitable when the partner has no chance to procure the material or his circumstances are much less favorable for doing so and when the expense for making the material available (e.g. through imports) and the material deliveries for the country that wants the cooperation are more than equalized by the intrinsic effects of this cooperation. For special materials and small volumes this problem is less serious.

The import prices for cooperation deliveries are an acute problem. Along with the other factors, they determine the efficiency and interest conformity. That makes them so important in making decisions on international specialization and cooperation. We should seek more solutions that would keep import prices lower, or at least not higher, than the expense of prime production (prime costs plus average profit rate). Import pricing is basically affected by the partner's production prerequisites and the uniform application of the CEMA pricing principles and their

further improvement (among other things, setting prices for product components in reasonable proportion to both total expenditures and end product price). Mutual ties and dependencies brought about by cooperation relations have a conspicuous influence on abiding by prices agreed upon.

But not all partners have appropriate production prerequisites. It is therefore of theoretical and practical importance to ask whether higher import expenditures including transportation and assisting the partner in getting his operation started might in certain cases be economically justifiable or not. Economically speaking, that can be deduced only from the cost/benefit ratio (the final benefit to the economy). It means that a greater expense for cooperation--the safety and quality of ancillary shipments presupposed--must lead to the production of more end products and to an increasing efficiency of our products and must help enhance the export and lucrativeness of the products. A higher output must in no way be the sole criterion for it.

This is possible if, apart from a possible advantage from investments not used for production expansion, through placing partial products and technological processes in the capacities released, other partial products and technological processes can be made or carried out at higher volumes and with greater efficiency. Even if the shift in the partial production reaches no higher efficiency, more can be produced and more social labor can be saved in overall production through that sort of cooperation.

Under these conditions, a capacity gain in other countries for a certain type of output also is advantageous from the overall economic vantage point, and the economic purpose of cooperation has been preserved. Otherwise too much would have been spent on production growth, which would sooner or later inevitably also lead to contradictions of interests.

Decisions made on international specialization and cooperation in R&D and production that would meet the higher requirements presuppose all-round analyses, technical-economic and economic justification and profit and loss computations. More than thus far one should work with alternatives: International division of labor--for which products, how, with whom, and which conditions and forms?

What finally decides is economic efficiency while ensuring mutual advantage. Specializations and cooperations that do not meet these new criteria should therefore be checked with changes in mind. It may lead to the elimination of specific inefficient elements, to perfecting cooperation relations, or our doing away with them altogether sooner or later. We must also examine whether in certain cases it would not make more sense for us to handle our own production of partial installations, components and ancillary supplies. As there still always exist limits in capacity expansion and production assortments, they often compel conversions and reprofiling and bring up the question what should have to be acquired instead, in which other fields international specialization and cooperation would be necessary and make more sense, and what could be exported or imported with higher efficiency.

In the cooperation among socialist countries and between socialist and developing countries, a relevant consideration is whether it is possible to extend the forms of cooperation further, and this in such a way that they keep in step, and foster, the ongoing industrialization process. Thus, originally capacity-conditioned cooperation, unless it was set up from the outset as a temporary relation, can receive more and more of a solid technical and economic basis, gain in efficiency, stabilize at a higher level and give rise to new opportunities for conformity in the changing interests of the cooperation partners. That may also relate to a successive own development or further development of the subject of cooperation among the partners, if design and technological documentation is completely handed over right at the start. This "construction agency" of the end producers is in some cases maintained over a longer period but can also be transmitted by the cooperation partners through joint developments or independent development. The suitability of solutions and the form used always depend on the subject matter and the concrete conditions and interests.

In the phase of the still more closely knit cooperation of the CEMA countries, more consistently focused on intensification, international specialization and cooperation measures last and meet their purpose only if they are of mutual advantage and provide the participants with increases in efficiency. That presupposes that through such measures the concentration process and the application of more productive technologies and progressive forms of production organization are promoted, that cooperation is based either on an already progressive technical-economic level of the partners in that particular or similar fields (mainly for complicated parts of the production processes) or that there is at least a guarantee that such prerequisites are created through joint efforts in the country in the foreseeable future. That includes, for industrially still less developed countries, economically sound developmental phases in economic construction, and for all countries, an economic structure development that takes the specific conditions of the country into account. That can also help solve the not simple task to establish conformity between the efficiency of integration measures and the gradual equalization of the economic development levels--a specific problem in the socialist international division of labor and a great advantage of this division of labor when compared with the capitalist international division of labor.

For decisions on international specialization and cooperation under the new conditions, one may, in summary, stress the following criteria and requirements:

- absolutely concentrating the measures on the crucial developmental trends in scientific-technical progress and economic priority tasks;
- a noticeable promotion of procedural and product innovations, extensive use and rapid marketability of new techniques and highly productive technologies;
- categorically achieving a high technical-economic production level, meeting international standards, and high-grade qualities in specialized products, ensuring the satisfaction of demands, reliability, stability and flexibility in cooperation relations (reactive capacity of the partners to scientific-technical progress and market and requirement changes); and
- improving the cost/benefit ratio; higher efficiency all-around. That means: through international specialization and cooperation, tasks must be solved more efficiently than possible without it (mainly through an efficient use of available capacities, the economic utilization of resources, the reduction in production consumption and transportation expenses, and in investment costs). An expression of

it are the well-known efficiency parameters, in which the profitability of export and import, extra income through possible export boosts, and the foreign exchange balance between imports and exports of cooperation deliveries play a significant role. A comparison between alternatives must not be confined to a single product (a particular task). It also would have to be taken into account at the expense of which other production a commodity would have to be produced or increased in its production in the economy and what the efficiency ratio would be among the alternatives.

The crucial criterion thus is the boosting of net production through the smallest possible efforts and, ultimately, an increasing economic end product by the countries involved at structures meeting requirements and with internationally recognized intrinsic values.

The practical implementation of such a procedure is linked with many different factors and depends on a great number of conditions. A great role is played in this by the ways and means of management, planning and economic stimulation in the various CEMA countries and their cooperation and by consciousness, the true realization, taking hold in practice, of the inevitability of the international socialization processes. A system of utilizing the economic laws and a mode of thinking and conduct in all of public life are needed that are oriented to efficiency improvements, rigorous intensification, and the acceleration of scientific-technical progress.

Within the scope of this further improvement of the whole management and planning system, and on the basis of centralized management and planning, extremely much depends on combine and enterprise initiative and responsibility and on raising material incentives and material backing for them, in conformity with economic requirements and possibilities. They must be compelled, economically much more effectively, through pricing, performance rating, and economic accounting, to get oriented to international standards in terms of costs and benefits (and not only for the technical-economic parameters), must be confronted with the implacable yardsticks of the international markets, and must be induced rationally to tap all sources of effective economic growth.

If in the CEMA countries, as has already started, the qualitative growth factors decidedly move into the center of planning and economic stimulation, and if the performance principle is effectively applied on all levels, down to each and every worker, then there will be exercised in the various countries and enterprises a greater pressure on intensive cooperation and on establishing and implementing efficient alternatives for international specialization and cooperation. With it will also be created important prerequisites for a commensurate qualitative improvement of the interstate mechanism in socialist economic integration. The connections and interrelations among the intra-state and interstate forms and methods of economic development are becoming closer all the time.

International socialist division of labor and cooperation is not an end in itself. Embedded in the social goals, contrary as they are to those of capitalism, it is a means to an end: to boost social labor productivity and augment the social wealth in all socialist countries. This has to be brought to realization more and more effectively through improved and novel methods and forms.

FOOTNOTES

1. E. Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 82.
2. L. I. Brezhnev, "26th CPSU Congress--CPSU Central Committee Status Report and the Next Party Tasks in Domestic and Foreign Policy," Dietz publishing house, Berlin, 1981, p 13.
3. Cf. E. Honecker, op. cit., p 84.
4. Ibid., p 83.
5. The increasing role of cooperation becomes still more apparent if this concept is used in the extended sense to embrace all the cooperation according to plan among the socialist countries in the economic field and beyond.
6. Vf. H. Tschanter, "The GDR in the Process of Socialist Economic Integration," EINHEIT, No 4/5, 1981, p 408.
7. Tenth SED Congress, "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" (10th SED Congress Directive on the 1981-85 Five-Year Plan for the Development of the GDR Economy), Dietz publishing house, Berlin, 1981, p 78.
8. In principle, we agree with a number of characteristics of the international production cooperation, as presented, among others, by Y. Shiryayev, but all these problems call for further study. What he says about "clearing arrangements through forms other than cash" (cf. "The International Socialist Division of Labor," Dietz publishing house, Berlin, 1979, p 21) appears obscure or unrealistic, however. In this connection we may refer to a rejoinder to it by Froehlich and Luft, who make reference to several authors. (Cf. G. Froehlich and Ch. Luft, "On the Role of Foreign Trade in the Process of Socialist Economic Integration," WIRTSCHAFTSWISSENSCHAFT, No 6, 1980, p 648).
9. Tenth SED Congress, "Direktive . . .," op. cit., p 78.
10. While this may be limited due to still existing differences in the scientific-technical and economic levels among the socialist countries, it is yet much more possible already today than it was some 15 or 20 years ago. Even countries whose economic development level as such is not very high do have modern production capacities and experiences in some branches.

SED Functionary's Discussion

East Berlin DIE WIRTSCHAFT in German Vol 37 No 1, 14 Jan 82 p 19.

(Article by Horst Tschanter, chief, CEMA Working Group, SED Central Committee: "All Possibilities for Cooperation Within CEMA to Be Used Even More Intensively--Consultation on the Party School Year")

[Text] The 10th party congress has reaffirmed our indestructible fraternal alliance with the Soviet Union and our republic's solid rooting within the community of the socialist states as a stable foundation for our security and our further successes in the shaping of the developed socialist society.

Today more than ever, the policy centerpiece of the fraternal parties is the economy, our coping with the new conditions of the 1980's on behalf of securing a great economic performance improvement. That implies the special place value of economic and scientific-technical cooperation among the CEMA countries, particularly with the USSR. Purposefully deepening our socialist economic integration on the basis of the comprehensive CEMA programs ultimately serves to strengthen further the economic positions of socialism in the world. Comrade Erich Honecker, at the Third SED Central Committee session, pointed out how relevant this requirement is when he said: "At the same time it turns out, more than ever today, that strengthening our community has a great bearing on the class conflict with imperialism and its confrontation policy. What successes are achieved by each fraternal party and fraternal country during socialist and communist construction in coping with the tasks and problems connected with it, which often are not uncomplicated, is of all the more consequence."^{*}

The more successfully, in our fraternal alliance with the other countries in the socialist community, we implement the 10th party congress objectives, aimed at the well-being of the people, the greater then also is our contribution to strengthening the position of socialism in the worldwide class conflict, in the struggle for security and peace.

It therefore is a deeply internationalist requirement to use the possibilities for socialist economic integration with the USSR and the other CEMA countries most efficiently in implementing the 10 key points of our economic strategy for the 1980's. Here we can rely on the fact that through the GDR-USSR production specialization and cooperation program until 1990 and the long-term CEMA target programs, the basic directions were coordinated for the further shaping of this cooperation in accordance with the conditions in the new decade.

At their Crimean meeting in the summer of 1981, Comrade L. Brezhnev, general secretary of the CPSU Central Committee, and Comrade E. Honecker, general secretary of the SED Central Committee, agreed on expanding production cooperation significantly, especially in the branches that determine scientific-technical progress. Special attention will be given to the joint efforts in developing microelectronics and robot construction.

The GDR will continue to take part in the modernization of the Soviet light and food industries and in building gas pipelines and other projects on USSR territory, which are of great importance to satisfying the economic needs of our country and all countries in the socialist community.

^{*}Comrade Erich Honecker, "Bericht des Politbueros an die 3. Tagung des ZK der SED" (Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981.

Research Cooperation Priority Tasks

Cooperation with the USSR and the other CEMA countries made it possible for the GDR, through concentrating its own research potential, to make a recognized contribution to solving important tasks of the entire socialist community of states, as for instance in the fields of space research, scientific equipment construction, polyurethan chemistry, machine tools and polygraphic machinery.

In view of the requirements for the 1980's, the Third Central Committee session has posed the task to increase the economic efficiency of science and technology significantly. That also applies, without reservation, to the tasks that have to be solved through cooperation with the USSR and the other fraternal countries. Through concentrating the participating countries' R&D potential, we have to accomplish briefer implementation time frames and improvements in the cost/benefit ratio. What we can do for it ourselves will also in the future remain a prerequisite for fully exhausting the potentials in the cooperation with our fraternal socialist countries.

Among the priority tasks in the scientific-technical cooperation with the USSR and the other CEMA countries is a higher degree of refinement for the available raw materials. How scientific-technical cooperation can help replace imported raw materials to a considerable extent is shown by methods developed together with the USSR for the gasification of domestic soft coal. Through close cooperation with USSR institutes and our Academy of Sciences, in the Schwarze Pumpe Gas Combine a modern plant producing synthetic gas will start operations ahead of schedule in 1982. That will make possible using mineralized carbon, thus far little used, with great economy for further chemical processing in the future.

How advantageous cooperation is in such fields as microelectronics, is shown by the fact that for a great number of electronic components it was possible to create a significant boost of mutual trade. At the same time, through this cooperation, new, highly productive special technological equipment for making integrated circuits has been developed and produced. Great opportunities for cooperation exist in the field of the production and application of industrial robots. To that end, the GDR-USSR parity government commission signed a government accord on that during its most recent session.

In the continuing cooperation in the field of standardization, great importance is given to its scientific-technical level. It is found to be expedient closely to link standardization projects with joint R&D and to orient it consistently to international top standards. The steps taken aim at improving the effectiveness of standardization so as to decidedly increase the tempo and economic yield of scientific-technical progress.

Higher Specialization and Cooperation Requirements

The significant increase in our labor productivity, production efficiency and product quality our economic strategy calls for makes higher demands on international production specialization and cooperation. Its proportion in the GDR's trade with CEMA countries, based on circa 500 bilateral and multilateral agreements, came to more than 22 percent in 1980.

Most specialization agreements help create the prerequisites for concentrating our research and production potential on solving important economic tasks and developing modern large-series production, e.g. in ship building, tracked vehicle construction, selected chemical plants, machine tools and farm machinery.

To use the advantages of such a highly developed form of cooperation with the USSR and the other CEMA countries still more expediently, we must everywhere give constant attention to the questions of the scientific-technical level and the quality and stability of reciprocal deliveries. When agreements are made, the technical parameters of reciprocal deliveries and the economic matters, especially the prices, on the basis of CEMA pricing principles, are accurately agreed upon. They form the best guarantee for strictly abiding by the mutual delivery obligations assumed in terms of volumes, qualities and delivery schedules.

An important aspect in preparing specialization agreements lies in reducing shipping costs. In this respect, still stricter measures must be applied in the future to each specialization agreement, which calls for making shipping expenses a standard component of efficiency computations for every specialization measure.

New Joint Rationalization Criteria

Among the proven forms of cooperation with the USSR and the other CEMA countries is the joint rationalization and reconstruction of industrial enterprises.

New standards for such cooperation arise from the 10th party congress economic strategy. What matters is to cut back manpower, improve the quality of labor, and enhance the cost/benefit ratio and the working conditions for the working people. Experience has shown that a high effect is achieved where joint rationalization is linked with a considerable elevation of the technological level. That is brought about primarily through a broad application of microelectronics, automated process controls, and the introduction of industrial robots.

In getting set for direct cooperation in rationalization and reconstruction, it should always be taken into consideration that this cooperation can be carried out while production is going on. The requisite material funds, including reciprocal deliveries of equipment, have to be integrated in good time and completely with the national plans and balances of the countries involved and become standard components of trade agreements. Such an approach gains time and yields high economic effects.

More and Better Consumer Goods

Our economic strategy for the 1980's implies producing far more and better consumer goods. A high place value attaches in this context mainly to the purposeful implementation of the accords on expanded cooperation in the field of consumer goods production, as concluded in their most recent Crimean meeting between Comrade E. Honecker, general secretary of the SED Central Committee, and Comrade L. Brezhnev, general secretary of the CPSU Central Committee.

To implement the agreements made, extensive efforts were begun by the ministries, combines and production associations in the two countries. This involves primarily

an exchange of advanced production experiences and technologies and specific means of rationalization and design documentation for finished goods. In accordance with our tried and tested practice, our mutual advantageous cooperation relies on agreements and contracts containing the concrete obligations of the participating combines and enterprises.

In using every opportunity to implement the economic strategy decided on by the 10th party congress through close cooperation in science and production with the USSR and the other CEMA countries, the GDR will continue to make its contribution to making the alliance of the CEMA countries still closer and strengthening the position of socialism in the world.

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CSO: 2300/192

CONSERVATION OF AGRICULTURAL LAND REMAINS ESSENTIAL

Prague KONTROLA in Czech No 1, Jan 82 pp 3-6

[Article by Eng Jan Roubal, vice chairman of the CSSR People's Control Commission: "Our Share of the Responsibility for the Conservation of Agricultural Land"]

[Text] The Fourth Session of the CPCZ Central Committee concerned itself with current tasks in agricultural development and in nutrition. In the report of the Presidium, particular emphasis was placed on the rational utilization of the agricultural soil fund, on its consistent conservation and continual enrichment. The development and current condition of the agricultural soil fund merits this kind of attention, and has even necessitated the carrying out of very basic measures.

Condition of the Agricultural Soil Fund

We currently have available throughout the country 6,871,000 hectares of agricultural land which, it may be said, is structured relatively favorably; arable land represents about 70.2 percent of the total area. Of the above agricultural land, about 20,500 hectares is removed temporarily from agricultural production, for instance for the construction of building-site facilities, and the mining of raw materials such as sand, gravel and stone. This soil is to be returned to agricultural production no later than 12 years from the time that its use was permitted for other than agricultural uses.

More serious is the fact that we do not farm 106,000 hectares of agricultural land; this is primarily a question of land which may be used for agricultural production given the application of appropriate technical procedures and biological measures. This is the source of a great deal of underutilized capacity. To date, however, the recultivation of this soil is progressing slowly. On the contrary, the area of such soil has doubled in the past 5 years.

In reality, then, farming is carried out on only 6,724,000 hectares of soil meaning that there is a little more than 44 ares per capita, which is too little given the high level of food consumption in our country. During the past five-year plan, we had to import an annual average of more than 1.5 million tons of grain. Clearly, we will not be able to permit ourselves to

do this in the future. No country may draw on external sources of primary consumption for an extended time period. And we must use our foreign-currency resources primarily to assure those raw materials which are essential for production and imports of sophisticated technology. Therefore, we must very carefully and efficiently utilize all of our domestic resources, even soil.

Soil Fund Development Has Been Especially Unfavorable

It is disconcerting, and one may even say alarming, that we are losing a significant amount of agricultural land each year. Over the past 10 years, more than 241,000 hectares have been lost, 79,000 of which were arable land; this represents a loss of gross agricultural production with a value of about Kes 2.8 billion annually. The magnitude of this loss becomes abundantly evident from the following comparison: as of 1 January 1980, agricultural land covered 394,000 hectares in the North Bohemian Kraj, 520,000 hectares in the West Bohemian Kraj, and 553,000 hectares in the North Moravian Kraj.

In the Sixth Five-Year Plan, parcels with an area of 192,000 hectares were removed from the agricultural land fund, 18.3 percent of which was for capital construction, 43.3 percent for conversion to forest land, with 33.6 percent allotted to so-called "other areas" (which include land parcels which have been ruined or flooded), and 2.1 percent for mining purposes. It is important that of the land freed up for capital investment almost one-half came from arable land, often from that of the highest quality.

The greatest conversion of agricultural parcels to forest land occurred as a result of the inventory of agricultural land in 1980; 45,000 hectares were involved, most of them in the SSR. Subsequent findings, however, indicate that agriculturally economical operations could be carried out on some of these parcels. Therefore, several okres national committees are restudying the results of the inventory with the objective of reducing the conversion of agricultural parcels to forest land.

What the Inspection Indicated

The results of an inspection of agricultural land management carried out in 1981 by the people's control system are not in any way cheerful.

Legal Provision No 124/1976 of the Laws of the CSSR, concerning the conservation of the agricultural land fund, has not been applied consistently, has often been extensively interpreted and even violated, both by agencies charged with conservation of the agricultural land fund and by those requesting the removal of parcels from this fund.

Agencies charged with the conservation of the soil fund, especially national committees, have in a number of instances neglected to devote attention to its expansion, to an improvement in its structure, and have benevolently approved unfavorable changes in its cultivation, completely failing to utilize, with a few exceptions, instruments of persuasion, such as fines which they are empowered to levy on organizations and even individuals for violation of the law and for the inadequate utilization of the soil.

Even though specially protected soil may be removed from the soil fund only in exceptional instances, this has in practice become rather the rule than the exception. Much has been built on arable land, while nonagricultural land has been little used for building purposes.

Investors have for the most part failed to fulfill their responsibility to submit, along with their request to free parcels of land, proposals of alternative solutions for other sitings and their economic evaluations, while soil fund conservation agencies have been subjected to various pressures which they have often not been able to resist.

Economic instruments founded in the law, i.e., levies for the permanent removal of parcels from the soil fund and the so-called economic penalty, have not sufficiently influenced investor behavior in the choice of land parcels; investors have readily and happily paid the levies, provided they are granted parcels on level land with favorable conditions for setting foundations and other features appropriate for them, and have not concerned themselves at all that they are often dealing with the most fertile of agricultural land. The earlier system of financing capital investment has not caused them any particular problems, even when they have to pay higher levies for quality soil.

Only sporadically has the legal provision been utilized whereby in instances when agricultural parcels are freed for capital investment the investor has the responsibility of cultivating other soil.

The inspection indicated, however, that there have also been okresy where the national committees and agricultural organizations and agencies have approached the upholding of the law consistently and conscientiously. In these areas, there has been no great loss of agricultural land, and in some places its area has increased in recent years. This was the case in Komarno Okres, for instance, and in certain others as well.

The Roots of Improper Practice

Not a few agencies charged with the conservation of land, but also those people who have requested land parcels for other than agricultural purposes, have far from fully appreciated the importance of the introductory provision of the law which states that the agricultural land fund is the fundamental natural resource of our country, that it is an irreplaceable resource to assure the feeding of the people, and that therefore its conservation, improvement and expansion belong among the primary tasks of our entire society.

Many people have forgotten, it would seem, the work and gargantuan effort required of tens of generations of farmers to coax the soil into producing as much as possible, and, in particular, what it is that we need most of all.

The law provides that, above all, nonagricultural land must be used for non-agricultural purposes, that the removal of land parcels from the agricultural land fund may take place only in essential instances justified by social interests, and for specially protected soil only for the purpose of carrying

out exceptionally important investment projects or for mining. In the implementation of the law, however, the interest of the whole society has been supplanted by the interest of a location, a village, a city, an okres, or a specific enterprise. This has been to the advantage of the location or the enterprise, but has also meant production losses for all of us.

Investors have been expending great efforts to justify their requests for soil, but almost no effort on cultivating new soil. It has not been an isolated occurrence that land has been treated as if it has no price, as if it is a thing without value.

Let us not be surprised, then, that it has been impossible to achieve the goals which the law seeks and that reductions in agricultural land have not declined in recent years, but risen.

It is important in our thinking about this problem to consider that as early as 4 years ago the people's control committees carried out an inspection of agricultural land management, but were unable to enforce a change in practice, or to substantially reduce land losses. Each of us should pose to himself the question of whether he did everything that was in his power.

How Far in the Conservation and Improvement of Agricultural Land

The current development of the agricultural land fund and the unsatisfactory situation in its utilization has forced the adoption of very basic measures. On 22 October 1981, the federal government adopted, on the basis of the inspection results, Special Resolution No 292, while in the same vein the governments of the republics established concrete tasks for the agencies charged with the conservation of agricultural land, the appropriate ministries, and councils of the kraj national committees.

Above all, it was established that whatever it is necessary, from the viewpoint of the important interests of society, to free land for capital investment, it will be a responsibility of the investor to carry out at his own expense the cultivation of other, as yet unworked, agricultural plots, on a hectare for hectare basis.

No exceptions are to be considered in the implementation of this measure. With the exception of the freeing of parcels for the regulation of rapids, water flows and improvement projects which are carried out in order to improve the agricultural land fund and to achieve greater soil fertility, the responsibility for conducting the cultivation of other plots will extend to all other investors, even in those instances when agricultural land must be freed, for instance, for the construction and rebuilding of communications facilities and other line structures, but also for housing construction.

The Conduct of Cultivation

The cultivation of land parcels which an agency of agricultural land conservation assigns as a condition for the removal of parcels from the land and for capital investment will be carried out by an investor with his own

resources or, during the preparation stage of the investment project, it will negotiate such cultivation with another, usually a construction, organization, and sign an economic agreement concerning this.

The question arises, why is it necessary to lay these responsibilities on the investor.

As is well known, such cultivation and improvement work has to date been conducted directly by agricultural enterprises or by improvement cooperatives. This work, however, is proceeding slowly, due to a lack of implementation capacity by these organizations, in such a way that preliminary estimates project, for the CSR, that the soil which is currently unworked will return to full cultivation by about the year 2000. We cannot allow a significant expanse of this soil to lie fallow for so long; we would soon have to write it off for good.

Other branches of the national economy, therefore, must assist in the conduct of such cultivation. Insofar as this concerns construction organizations, it is based on the fact that in the Seventh Five-Year Plan the startup of construction projects will be significantly curtailed, meaning that it will be possible to use machines belonging to construction organizations in an efficient manner for the conduct of such cultivation.

So that investors do not put off the conduct of such cultivation due to the assurance of their investment project, it has been necessary to modify the regulations.

The Federal Ministry for Technical and Investment Development has updated Decree No 163 of 12 December 1973 concerning construction project documentation in such a way that the conduct of such cultivation will be one of the objectives of a construction project, and so that its costs will be included under Title III of the aggregate budget of the project: for practical purposes this means that prior to permission for and the initiation of construction, an investor will have to see to the formulation of the essential documentation, compile a budget of costs and show that he has lined up his own or subcontractor capacity for the carrying out of such cultivation. The approval mechanism for the project will establish the completion time as well as the performance of cultivation as a subject of the final evaluation of the project.

In spite of this, however, it will be necessary that an appropriate agency charged with the conservation of the agricultural land fund monitor the progress of this cultivation and utilize its authority as needed; in instances of failure to fulfill the condition of cultivating other soil in compensation for the removal of agricultural soil for investment construction, it may levy a fine of up to Kcs 500,000 on an investor.

Economic Consequences of Obligatory Cultivation

The costs of cultivating other parcels than those on which a structure has been placed will, nevertheless, make investment more expensive, raise construction costs and put pressure on limits.

To the extent that he will be building on agricultural land, an investor must be prepared for the fact that this will be more expensive; he will have to count on cultivation costs in his construction budget.

But this is not improper from a social viewpoint, rather it is necessary. It will exert an influence in accordance with the Set of Measures for Improving the Planned Management System of the National Economy.

In evaluating the efficiency of capital investment we cannot, you see, consider only the concrete costs arising directly for the investor, but also the costs which arise for the entire national economy as a result of the decline in the agricultural soil fund; that is, it is not the enterprise viewpoint, but the social viewpoint which must be decisive.

The following comparison will indicate just how important these interests of our society are. At the present time, 1 ton of imported wheat costs about 3,200-3,500 foreign currency korunas, while the production costs for domestic production amount to Kcs 1,200-1,400. At the same time, it must be taken into consideration that we cannot pay with our korunas in foreign countries, but must pay with goods which we often need ourselves at home; in addition, it is becoming evident that food costs, and especially grain costs, are continually rising on world markets.

We must, therefore, compel investors to consider thoroughly whether they should build with greater costs on agricultural land, or provide for expanded production by building on nonagricultural land, by increased utilization of existing facilities and equipment, or by their reconditioning.

Increasing the Efficiency of Economic Instruments

According to regulations which are in force, an investor should pay a one-time monetary levy to the State Soil Enrichment Fund for the permanent removal of parcels from the agricultural fund. The amount of this levy is established by CSSR Government Ordinance No 103/1976, Laws of the CSSR, and is differentiated according to the quality of the parcels in question.

This investor responsibility continues to remain in force. It is necessary to say, however, that the rate of levies for the permanent removal of parcels from the agricultural land fund will be raised, and a proposal prepared for intensifying the force of their economic influence.

It is necessary to raise these levies because even the currently valid rates do not correspond to the intensity and value of agricultural production. The determination of their current amounts was based on gross agricultural production per hectare of soil, valued at constant 1967 prices. Since that time, however, the intensity of agricultural production has grown roughly 10 percent, and constant prices have been raised since 1980 by about 25 percent. To this may also be added the continuous increase of agricultural commodity prices on world markets.

In addition, it must be taken into account that the levies have not been sufficient in their aggregate to cover financially the subventions provided to agricultural organizations to carry out such cultivation and improvement, meaning that, for instance, in 1980 the state fund for soil improvement in the CSR had to be subsidized from the state budget in the amount of Kcs 400 million.

During 1982, further preparation will take place of changes in the payment of levies in such a way as to have them exert a more efficient deterrent influence on the removal of soil from agricultural production.

The ministries of agriculture and food, in cooperation with other appropriate central agencies, will issue guidelines which will include modifications of the procedure for the selection of land parcels for such cultivation, the method for cost reimbursement, the conditions for granting reductions in the levy for such cultivation performed in a quality manner, and the procedure for choosing land parcels for comprehensive, but especially for individual housing construction, and the like.

Other Adopted Measures

It has been established that agricultural land, following the completion of fundamental physical inventories, not be allowed to be transferred to the temporarily unworked soil category, or to be included in the forest land fund, or among land parcels which may not be worked agriculturally without a proper evaluation and economic analysis by agronomists and soil experts. Provided that these tests indicate that certain parcels may not be utilized for agricultural production, their removal from the agricultural land fund will be permitted only on the condition that cultivation will be carried out on other plots of equal area.

A strict procedure will be applied for specially protected soil in the sense that, in principle, it will not be possible to remove such parcels from agricultural production and, to the extent that this be essential to individual instances to assure important social needs, this may take place only with the agreement of the government of the republic.

Thus, however, in no way presupposes that the government of a republic would have to discuss all investor requests for this kind of land. It is assumed that a wider, socially conscious viewpoint will be applied to the evaluation only of those proposals concerning which agricultural land conservation agencies form the opinion that the formal preconditions for the freeing of this land are given in the law.

It will be necessary to restudy and to reevaluate the approved territorial plans of cities and towns, to the extent that they are counting on the annexation of specially protected soil, with the objective of assuring that housing construction and, in some cases, small industrial operations as well, provided they do not threaten the environment, are located within the city limits, on vacant lots and, mainly, on nonagricultural parcels of land. Such a reevaluation of territorial plans was already decreed earlier, but is

proceeding slowly. It has, therefore, been established that the necessary work capacity be assured for this, that viewpoints be made more precise, and that the necessity for annexing land, particularly specially protected land, for the territorial development of a city or agglomeration be evaluated with a high degree of rigor.

Additional difficult and responsible work lies before national committees in this area.

In locations where an inventory has not been thoroughly completed, or where its results are being reviewed, it is necessary to carry out and complete this work in a quality manner and with dispatch.

It is essential to create the necessary conditions for the assurance of the measures which have been adopted. In particular, it is a matter of a thorough knowledge of the quality and nature of the soil in a territorial division, and of having an accurate perception of the temporarily unworked parcels of land so that it will be possible to gradually establish their cultivation.

It will be particularly necessary above all to see to it that new capital investment be located on nonagricultural land, on vacant lots in built up areas, on decontaminated lots and the like.

Local and city national committees, in addition, must focus their efforts on the consistent fulfillment of the law, insofar as it covers the search for lots suitable for agricultural management and their proper utilization.

This is also a matter of tiny and dispersed lots which are unsuitable for large-scale agriculture. Under the adopted measures, national committees and agricultural organizations, in the near future, are to look over such lots and in cooperation with social organizations, especially with branches of the gardeners union and of the raisers of the small domestic animals union, discuss their optimal utilization with citizens. They can in this way provide many families with the possibility of using these plots to raise vegetables and fruits, domestic livestock for their own consumption and also for contract feeding.

Governments have also made decisions concerning the creation of conditions for such a rational utilization of smaller plots. Growers are freed from the payment of agricultural taxes on the sale of their products. Procurement and contracting organizations, under Resolution No 185 of the presidium of the CSSR Government, dated 22 October 1981, have the responsibility to provide for the supplying of small producers with the requisite husbandry materials, seed sets, nursery seedlings, fertilizers and chemical substances; the appropriate production ministries are to assure the production and delivery of the necessary tools and small mechanized implements. National committees have the task of setting up marketplaces and stands for the sale of fruit and vegetables right in consumption centers.

On the whole, it would be useful and desirable if local and city national committees would include concern for agricultural land, its expansion and improvement, as supplements to their election programs.

Discharge of the Control Obligation

People's control committees not only at the center, but also in national committees must feel their responsibility for the consistent fulfillment of the adopted measures and established tasks, as well as for a precise adherence to the law. The current, unfavorable developments bind them to this as well. How are we to come to terms with this obligation which we have in the area of agricultural land conservation?

In an orientation toward this serious problem, it is not a matter of a one-time, costly inspection, but of systematic attention and constant control activity, the objective of which must be the enforcement of the fulfilling of those responsibilities which the law and the measures adopted by the government assign to organizations charged with the conservation of the agricultural land fund, agricultural organizations and agricultural management organs, as well as to investors and others requesting the use of agricultural land.

For people's control committees, above all those in national committees, this also means seeing to it that the results of the basic soil inventory be properly integrated into the soil documentation at geodesic and cartographic agencies, especially where this has not yet occurred, that structures be located, primarily, on nonagricultural land or within city limits as defined in 1966, that agencies charged with the conservation of agricultural land have an overall perception of those parcels suitable for recultivation, that they proceed in accordance with the regulations established for those instances when there is no alternative other than to locate important structures on agricultural land, and that work be speeded up on the reevaluation of the territorial plans of cities and towns. Nor can the fulfillment of those tasks which regional and urban national committees are to assure in the interest of the full utilization of all land for agricultural production remain without serious attention.

If we act with this kind of consistency in these areas and at all levels, and compel a rigorous approach by all appropriate agencies, we can realistically contribute to a situation in which the declines in agricultural lands may be completely eliminated over 1-2 years and in which, by the end of the Seventh Five-Year Plan, the soil fund will, on the whole, be stabilized and expanding gradually.

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SET OF MEASURES IN FUEL, ENERGY CONSERVATION DISCUSSED

CSSR Government Decree No 339

Prague HOSPODARSKE NOVINY in Czech 29 Jan 82 p 4

["CSSR Government Resolution No 339 of 26 November 1981 on Set of Technical, Economic, Organizational and Administrative Measures in Area of Fuel and Energy Consumption"]

[Text] By Its Resolution No 339/1981, the CSSR Government Instructed In the Area of Technical Measures

CSSR deputy premiers J. Korcak and P. Colotka and the ministers of fuels and power, metallurgy and heavy engineering, general engineering, electrotechnical industry and transportation:

-- to submit to the Federal Ministry For Technological and Investment Development by 15 February 1982 a list of specific actions aimed at additional conservation during the 1983-1985 period which will increase the present conservation target (including additional savings in 1982) by a total of 1,465,000 tmp [tons of standard fuel], from 8,391,000 tmp to 9,856,000 tmp by the end of 1985;

-- in support of the planned reduction of motor-fuel consumption in connection with the preparation of the draft of the state operations plan, to work out within their jurisdiction a set of measures for a 7-20 percent reduction in tkm [ton kilometers] of the volume of freight transportation service carried out by industrial plants supervised by individual ministries in 1982 in comparison with 1980; to reduce coal transportation by trucks, including its delivery to the population, by 12 percent in tkm in 1982 in comparison with 1980; to reduce by at least 10 percent in tkm all transportation of building materials in 1982 in comparison with 1980; to minimize highway transportation of planned scrap collection (preferably using public transportation) in 1982; to minimize the volume of wood-substance transportation (preferably using public transportation) in 1982 with reference to the maximum effect on the foreign-exchange balance;

-- CSSR deputy premiers J. Korcak and P. Colotka and all ministers and heads of federal central agencies to see to it that beginning 1 January 1982 subordinate organizations consistently apply Federal Ministry of Fuels and

Power Guideline No 15/1980 on rational use of energy in heating and hot utility water supply to households, public utilities and for administrative and operations purposes, and to make sure that the lower limits of the temperature range specified in the guideline be adhered to;

-- The minister of general engineering to achieve in 1982 increased deliveries of fixtures for SHC high-pressure sodium gas discharge tubes by 40,000 in order to attain a total of 110,000;

-- CSSR Deputy Premier J. Korcak and ministers of metallurgy and heavy engineering, and of general engineering to ensure the development of production of improved heating equipment for small and medium-size consumers which will be suitable for burning of inferior solid fuels including wood and wood waste;

-- the minister of general engineering to review energy efficiency and use properties of hitherto manufactured appliances for individual heating which use solid fuels, and to ensure production of improved types;

-- the minister for technological and investment development to work out by 31 March 1982 the final draft of state target program 02 "Rationalization of Consumption and Use of Fuels and Energy during the Seventh Five-Year Plan" comprising technical and structural measures for achieving progressive conservation and reduction of fuel and energy consumption;

In the Area of Economic Measures

CSSR Deputy Premier S. Potac:

-- to issue directives for the selection of organizations in which the fuel- and energy-consumption indicator will be included in the indicators for the continuous evaluation of the plan fulfillment;

-- in cooperation with the minister of foreign trade and chairman of the Czechoslovak State Bank, to propose government measures effective 1 January 1982 on the method of imposing foreign-exchange penalties for exceeding planned deliveries of motor fuel to socialist organizations;

-- to issue instructions for detailing of mandatory limits on deliveries (consumption) of selected types of crude-oil products, and for evaluation of adherence to these limits;

The minister of labor and Social Affairs to issue:

guidelines which will lay down the procedure for increasing or reducing the available amount of wage funds depending upon fuel and energy conservation (consumption below or surpassing the annual consumption limits);

-- instructions for increasing personal financial incentives for fuel and energy conservation. In the organizations producing and supplying heat and fuel gas, these incentives should be linked to the available power output;

The Minister of Fuels and Power:

-- to revise in the course of 1982 the regulations on the basic conditions of supply of energy, heat and fuel gases. In this connection, to determine whether the amount of financial penalties imposed on supplier and customer organizations is adequate in view of present societywide needs, and to explore the possibility that the supplier organizations reduce, on the proposal of the State Power Inspectorate, the limits to those customers who were found to waste fuel and energy;

-- to explore the possibility prior to 31 March 1982 of also applying the present financial penalties (fines) paid by small users--socialist organizations--for exceeding the electricity consumption limits to the area of fuel-gas consumption;

The minister of finance to submit to the government by 15 February 1982 a draft of the government decree on additional obligatory levies for exceeding mandatory limits on deliveries (consumption) of selected types of crude-oil products;

The Minister of transportation to conduct, in cooperation with the CSR and SSR ministries of interior and Federal Minister of Labor and Social Affairs, an analysis and, if needed, to propose proper measures in regard to the following groups of problems:

-- the effect of the present system of staggered working hours on the increase of transportation services particularly with reference to CSAD [Czechoslovak State Automobile Transportation] buses, as compared with the situation prevailing prior to 1979, and the quantification of this effect on motor-fuel consumption;

-- the propriety of maintaining the present numbers of enterprise buses for recreational purposes, and potential motor-fuel conservation resulting from restricting their numbers;

Ministers and heads of federal central agencies to employ the fuel- and energy-consumption indicator beginning 1982:

-- in the organizations in which this indicator will be included in the indicators for continuous evaluation of plan fulfillment as one of the key indicators for granting annual bonuses to managers (general managers) and those deputy managers (technical managers) who are responsible for consumption;

-- in all organizations as the key or qualifying indicator for granting premiums and bonuses to department heads, technical-economic workers and blue-collar workers who significantly affect and are responsible for fuel and energy consumption, and to create necessary conditions for evaluation of workers' merits on the basis of reliable consumption standards;

The minister-director of the Federal Price Office, in cooperation with the ministers for technological and investment development and of finance, to revise, on the basis of suggestions from central agencies supervising the manufacture of electrical appliances, equipment and materials conserving fuels and energy, the wholesale and retail prices in support of their more extended use;

The minister-director of the Federal Price Office, in cooperation with the ministers of fuels and power and for technological and investment development, to review during 1982 the present level and relation of retail prices of individual types of fuels to the structure of tariffs for electricity, fuel-gas and heat consumption;

In the Area of Control, Organizational and Regulatory Measures

The minister of fuels and power:

-- to include, in the planned amendment of the law on State Power Inspectorate (SEI), the possibility of imposing by the SEI organs penalties for gross violation of consumer discipline and obvious fuel and energy waste upon the very first finding by control organs of such waste;

-- to incorporate, in the planned amendment of the above law, the possibility of using a task force of specialists from the power departments of fuel and energy users, and specialists from the organizations supervised by the Federal Ministry of Fuels and Power;

-- in order to prevent power failures in emergency situations, to prepare, in cooperation with the State Planning Commission, the application during 1982 of the regulation level No 8 in various modifications (such as 20 percent, 50 percent of effectiveness) by individual areas and times of the day;

-- to improve during the first quarter of 1982 the system of socialist agreements between suppliers and customers, which on the basis of mutual advantages help solve short-term problems of electricity supply in such a way as to increase the present output to as much as 300 MW;

-- in the course of 1982 to revise the energy-regulation plan particularly with reference to the No 11-14 regulation levels;

-- beginning 1982, to set in the supplier-customer agreements covering a 1-month period the daily limits for fuel-gas consumption to big users in accordance with operations balance and available supply;

-- from the standpoint of even consumption throughout the year, to supply gas on a priority basis to users with technological consumption and construction of two-fuel systems for appliances now using fuel oil which can be replaced by natural gas during the summer period;

-- to revise during 1982 the range of regulation levels defined by Federal Ministry of Fuels and Power Guideline No 3/1974--rules for controlling

fuel-gas consumption--in order to adapt their effectiveness to the momentary needs and potential sources of supply, and by their publication to exert systematic pressure on conservation;

-- within the system of centralized coordination of management of heat supply, to ensure the issuance by 31 March 1982 of mandatory instructions for the operators of small and medium-size boilers using refined fuels to keep them in good operating conditions, and to set the deadlines for periodical inspections;

CSSR Deputy Premier S. Potac, in cooperation with the minister of fuels and power and consumer ministries, to prepare, with reference to the potentially available sources of electric energy and fuel gases, the so-called appliance regulators for emergency situations. Their selection must be based on the minimization of adverse impacts on the national economy;

CSSR deputy premiers J. Korcak and P. Colotka and the ministers of fuels and power, metallurgy and heavy engineering, general engineering, electrotechnical industry and transportation:

-- to adopt measures which will reduce electricity consumption primarily in the nontechnological area in order to minimize adverse impacts on the fulfillment of special-purpose production plans by consumers;

-- to classify during the first quarter of 1982 the subordinate users of appliances consuming a large amount of energy with reference to the fulfillment of special-production plans in such a way as to force them to reduce their electricity consumption during the peak load periods by 5-15 percent, depending upon their total monthly consumption.

The minister of metallurgy and heavy engineering to ensure by 30 June 1982 the establishment of service centers for repair and maintenance of small and medium-size boilers using refined fuels;

CSSR Deputy Premier S. Potac, in cooperation with CSSR deputy premiers J. Korcak and P. Colotka, and the minister of fuels and power, to review prior to 30 June 1982 the feasibility of present provisions of Decree No 58/1972 of SBIRKA, and particularly the eventual transfer of allocations of all types of fuels and energy, including fuel oils of all types, crude fuel oil, and propane-butane to the Federal Ministry of Fuels and Power;

CSSR deputy premiers J. Korcak and P. Colotka and the ministers of fuels and power, metallurgy and heavy engineering, general engineering, electrotechnical industry and transportation, to offer, in cooperation with the minister for technological and investment development, and eventually with the design organizations of industrial sectors, in transportation and agriculture, expert advice in fuel and energy conservation.

At the same time, the CSSR Government recommended that the chairmen of the Central Council of Trade Unions, the Central Council of Cooperatives, the Central Committee of the Socialist Union of Youth, the Czechoslovak Scientific

and Technological Society and the Central Committee of the Union of Cooperative Farmers pay special attention to various forms of socialist competition and to topical planning in both production and nonproduction organizations in order to conserve fuels and energy and to observe the limits on their consumption and deliveries.

Annex to CSSR Government Resolution No 339/1981

Principles Governing Additional Levies for Exceeding the Mandatory Limits on Deliveries (Consumption) of Selected Types of Crude-Oil Products

1. The exceeding of mandatory limits on deliveries (consumption) of selected types of crude-oil products listed in para 2

a) by economic organizations will be penalized by additional levies according to Sec 18, Para 1, Letter b) of Law No 111/1971 of SBIRKA on levies to the state budget and contribution to social security benefits as amended by later regulations;

b) by budgetary and subsidized organizations is regarded as misuse of budget funds and the sanctions will apply according to Sec 16 of Law No 134/1974 of SBIRKA on rules governing the state budget of Czechoslovak federation and on principles of management of budget funds of state budgets of the federation and of the republics.

2. The additional levies, unauthorized use of budget funds and sanctions according to Para 1 (henceforth "penalties") will be assessed for exceeding the mandatory limits on the deliveries detailed by the plan of consumption of light and heavy fuel oils, oils with a low sulfur content, kerosene, gasoline, diesel fuel and fuel oil.

3. The basis for determining the amount of penalty will be the exceeding of the mandatory limit for the respective type of crude oil products according to Para 2:

a) in diesel fuel and fuel oil during the half a year in question;

b) in regard to all other types of crude-oil products during the entire year.

4. The additional levy will amount to:

a) triple the base price of gasoline and diesel fuel and fuel oil;

b) quintuple the base price of all other types of selected crude-oil products

on the quantity exceeding the mandatory limits on deliveries (consumption).

The base price for additional levies is the following price of selected types of crude-oil products:

light fuel oil	ton	Kcs 3,100.00
heavy fuel oil	ton	1,400.00
oil with a low sulfur content	ton	1,600.00
kerosene	ton	2,200.00
gasoline	liter	8.50
diesel fuel and fuel oil	liter	3.50

5. The exceeding of mandatory limits of one type of selected crude-oil products cannot be compensated by smaller consumption of other types of selected crude-oil products.

6. The additional levies for exceeding the mandatory limits are paid by the economic organizations which pay levies on profits according to Law No 111/1971 of SBIRKA as amended by later regulations, income tax according to Law No 113/1971 of SBIRKA as amended by later regulations and agricultural tax on profits according to Law No 103/1974 of SBIRKA as amended by later regulations.

7. The additional levies will be paid by the economic organizations out of the profit remaining after other obligatory levies have been paid to the state budget and the national committee budget. In organizations which do not have enough funds (profit) or show a loss, the additional levy will appear as a deficit.

Organizations whose funds are directly linked to the state budget must not deduct the additional levy from the levy on the remaining profit which was specified for them in the annual plan.

8. The additional levy will be paid by the economic organization:

- a) for diesel fuel and fuel oil, every half year;
- b) for other types of selected crude-oil products, annually to a special account of state budgets kept by the local financial administration.

9. The penalty according to Para 1, Letter b) will be paid to the state budget on a special account maintained by the local financial administration:

- a) of the budgetary organizations from the appropriate budget items earmarked for financing of selected types of crude-oil products next year (Item 5301--fuels, and Item 5302--motor fuel and lubricants);
- b) subsidized organizations will debit their next year's subsidy, and if they pay a levy to the state budget, the next year's material expenditures.

10. The Federal Ministry of Finance can, if the prices of selected crude-oil products are revised, also adjust the base prices for additional levies.

11. These penalties do not affect the sanctions stipulated by other regulations.

Comments on Decree No 339

Prague HOSPODARSKE NOVINY in Czech 29 Jan 82 pp 1, 7

[Article by Juraj Gazdo, Office of the CSSR Government Presidium: "Conservation of Fuels, Heat and Motor Fuel"]

[Text] A completely new situation developed during 1981 in financing steadily rising costs, particularly of liquid fuels. The basic solution to the problem of their conservation must, therefore, be found in all sectors of the national economy, and especially in manufacturing consumption and foreign trade.

Technical Measures

Technical, technical-organizational and fundamental structural measures aimed at the reduction of energy consumption in the production sector are listed in the state target program of rationalization of consumption and utilization of fuels and energy. The CSSR Government enacted additional measures for 1982.

Utilization of Secondary Sources of Energy and Elimination of Losses

The unused (but usable) secondary energy sources amounted to 3.3 million tmp [tons of standard fuel] in 1980 1.33 million tmp of which were in the Federal Ministry of Fuels and Power, 1.35 million tmp in the Federal Ministry of Metallurgy and Heavy Engineering, 0.36 million tmp in the CSR Ministry of Industry, and 0.23 million tmp in the SSR Ministry of Industry. Equally great were the losses in transformation and consumption of fuels and energy that can be eliminated. The CSSR Government, therefore, ordered that by the utilization of these resources and additional measures the savings in individual ministries are to be increased as follows:

- in the Ministry of Fuels and Power by 150,000 tmp, that is, to 536,000 tmp;
- in the Ministry of Metallurgy and Heavy Engineering by 150,000 tmp, that is, to 612,000 tmp;
- in the Ministry of General Engineering by 20,000 tmp, that is, to 140,000 tmp;
- in the Ministry of Transportation by 10,000 tmp, that is, to 39,000 tmp;
- in the Ministry of Electrotechnical Industry by 5,000 tmp, that is, to 26,000 tmp;
- in the CSR Ministry of Industry by 75,000 tmp, that is, to 378,000 tmp;
- in the SSR Ministry of Industry by 40,000 tmp, that is, to 130,000 tmp;
- in the CSR Ministry of Construction by 20,000 tmp, that is, to 116,000 tmp;

-- in the SSR Ministry of Construction by 10,000 tmp, that is, to 38,000 tmp, that is, by the general total of 480,000 tmp.

The additional tasks of most ministries are largely backed up by specific measures or directions of conservation. To implement them it will, in some instances, also be necessary to increase the investment limits on the basis of proposals by the Federal Ministry for Technological and Investment Development and the State Planning Commission.

Reduction of Motor-Fuel Consumption

The smaller sources of motor fuel make it imperative to significantly reduce the volume of freight transportation. On the basis of agreement reached by the Federal Ministry of Transportation, the State Planning Commission and the Federal Ministry for Technological and Investment Development, it was decided especially to reduce by 2.7 percent (in tkm [ton/kilometers]) the volume of freight transportation by trucks in 1982 in comparison with 1980. At the same time, the volume of more effective CSAD [Czechoslovak State Automobile Transportation] transportation should increase 3.5 percent, while the volume of transportation carried out by industrial plants should be reduced 9 percent. In railroad and municipal mass transportation, diesel fuel consumption is to be reduced below the 1980 level by extended use of electric traction. In addition, it will be necessary to effect some economy measures in passenger transportation, particularly on domestic air routes and by a 7 percent reduction in CSAD bus service by restricting the number of excursions, eliminating backup connections and connections on routes parallel with satisfactory railroad transportation.

Due to these measures, diesel fuel consumption in transportation will be absolutely reduced by more than 240,000 tons or approximately 350,000 tmp in 1982 in comparison with 1980.

In view of the fact that the state target program of fuel and energy conservation already anticipated some motor-fuel savings in transportation, the additional savings or further reduction of consumption in 1982 will amount to 220,000 tmp above the level previously specified.

One of the basic conditions for achieving these savings is the reduction of traffic volume of transportation carried out by industrial plants and the optimization of volume of main commodities carried by trucks. To achieve this goal, the Ministry of Transportation and related ministries must enact appropriate measures in order to:

- reduce the volume of freight transportation carried out by industrial plants, of coal transportation by trucks and of transportation of building materials;
- minimize scrap transportation by trucks;
- find the best possible way of transporting wood substance.

Reduction of Asphalt Consumption

In order to reduce consumption of crude-oil products, it is necessary to reduce asphalt consumption in 1982 by 300,000 tons or 400,000 tnp below the 1980 level.

Measures for Reduction of Heat Consumption

To reduce heat losses in heating of residential houses, public utilities buildings and in warming up of utility water, the state target program of fuel and energy conservation contains measures aimed at increasing production of measuring and control devices and their use in construction of new public and residential buildings.

To secure necessary production of measuring and control devices, the CSSR Government presidium instructed, by its Resolution No 292/1980, the Federal Ministry of Electrotechnical Industry and the Federal Ministry of Metallurgy and Heavy Engineering to construct adequate production capacities in the sectors supervised by them. As of now, however, both these ministries are postponing the implementation of this project. This seriously endangers the anticipated savings of 350,000 tnp in new construction and of 160,000 tnp in already existing buildings by 1985 in comparison with 1980.

To reduce heat consumption for heating and preparation of warm utility water, the Federal Ministry of Fuels and Power issued, in cooperation with the central agencies involved, Guideline No 15/1980. The guideline specifies the highest permissible temperature for heating, contains measures for reducing the temperature of warm utility water and outlines additional ways of eliminating heat losses. On the basis of past experience in the application of this guideline, the CSSR Government ruled that the lower limits of specified temperatures must be observed.

Electric Energy Conservation in Lighting

Contrary to the measures included in the state target program of fuel and energy conservation, the Federal Ministry of General Engineering failed to produce and supply in the specified quantities the fixtures for high-pressure sodium gas discharge tubes of the SHC type. Production in 1981 fell 15,000 units of the target and the shortfall is likely to reach 25,000 in 1982. This puts the planned savings of electric energy in jeopardy.

Additional Energy-Conservation Measures

According to the state target program and progress so far, the effect of energy-conservation changes in the production structure should amount to 1.5 million tnp by 1985 in comparison with 1980. This should be brought about by the slower development of ferrous metallurgy and the lower rate of increase in the production of building materials due to the stagnation of capital investment. These savings should amount to 600,000 tnp in 1982 (in comparison with 1980). It will be necessary, however, to carry out additional energy saving changes in the manufacture of products consuming a big amount of energy.

In ferrous metallurgy, there are several factors which in conjunction corroborate the plan for the absolute decrease of production of pig iron and related products: limited sources of fuels and particularly of fuel oils, large imports of iron ore from the capitalist states as well as extensive and frequently purposeless use of rolled materials and steel structures.

In view of the further decrease in capital investment, it will also be expedient to curtail production of cement by approximately 0.5 million tons in 1982 in comparison with 1980. This will reduce fuel and energy consumption approximately 0.1 million tnp. Production of cement employing wet technology, which requires a considerable amount of energy, will be discontinued.

Due to lower imports of crude oil, its processing also will be reduced by 1.7 million tons in 1982. Fuel and energy consumption in its processing will be reduced by approximately 0.1 million tnp.

Manufacture of Stoves and Heat-Producing Equipment

Due to the scarcity of refined fuels, liquid fuels in particular will become the form of energy in short supply in the future. Thus it will be necessary to replace them by brown coal or wood in supply to the population and small and medium-size users. For carrying out this replacement, however, appropriate equipment is not available in sufficient quantities. It will, therefore, be necessary to develop and increase production of improved, heating equipment using solid fuels for the medium-size users, small socialist users and individuals.

Overall Positive Effect

By the implementation of measures proposed in this section, the following savings or reduction of fuel and energy consumption can be achieved in 1982 in comparison with 1980.

Original conservation target	4.80 million tnp
New proposed measures	1.67 million tnp
Total	6.47 million tnp

In addition, there will be lower gasoline consumption by the population and socialist organizations after the revision of retail prices, whose effect can be estimated at 0.2 million tnp.

In other words, total fuel and energy consumption can be reduced 6.67 million tnp in 1982 in comparison with 1980.

In connection with the measures effected in 1982, it will be necessary to prepare even a more demanding state target program of fuel and energy conservation for the subsequent years of the Seventh Five-Year Plan.

The work on the target program will be so directed as to increase the total savings during the Seventh Five-Year Plan by 1.4-1.5 million tnp (including the additional savings in 1982).

Additional savings of 0.8-0.9 million tnp are to be achieved by structural changes and specifically by reducing the volume of production consuming an excessive amount of energy, such as ferrous metallurgy, cement and asphalt production, and by the indispensable reduction of motor-fuel consumption. These changes are linked to the measures to be effected in 1982.

Sanctions and Incentives

After considering all possibilities, the CSSR Government decided to take adequate measures for increasing financial incentives for organizations and workers. If the consumption limits set for individual selected crude-oil products (light and heavy fuel oils, oils with a low sulfur content, kerosene, diesel fuel and fuel oil), are exceeded, financial penalties will be imposed in the form of additional levies amounting to triple (or quintuple) the base prices for these products according to Law No 111/1971 of SBIRKA on levies to the state budget.

Exceeding the gasoline consumption limits is penalized for the time being--on the basis of a special arrangement made by the Federal Ministry of Finance for the period of the Seventh Five-Year Plan in support of measures aimed at the reduced use of service automobiles--by an additional levy amounting to triple the average price of gasoline. It will also be expedient to enact a uniform financial penalty for exceeding the consumption limit within the new proposed more effective system. These additional levies will no longer apply to electricity and fuel gases.

As to solid fuels on the other hand, there is an interest in users' accepting bigger quantities than detailed by the plan. According to Decree No 106/1977 of SBIRKA, the customer has the right to refuse deliveries ahead of schedule.

In the area of electricity and fuel gases, the CSSR Government instructed the ministries involved to determine whether the financial penalties as listed in decrees No 175/1973 of SBIRKA and No 176/1973 of SBIRKA are adequate, and also to extend, as needed, the present system of self-penalization of small users--socialist organizations--applying to electricity, to include coal gas.

The proposed additional levies will be made more effective by the fact that the amount of wage funds which the organization can withdraw for its workers will also be reduced in accordance with them.

The penalties according to decrees No 175/1973 of SBIRKA and No 176/1973 and other measures reduce the measure of compliance with the key indicators (planned net output and profitability). Additional penalties resulting in the direct reduction of wage funds by this penalty are, therefore, not provided. During 1982, the Federal Ministry of Labor and Social Affairs will explore the possibility and effectiveness of elimination of fines from compliance with the key indicators, and their direct effect on the wage funds (starting in 1983 (such as in regard to the additional levy for exceeding the limits of deliveries or consumption of selected crude oil products).

At the same time, it will be necessary to apply positive financial incentives in organizations for reducing consumption of liquid and gaseous fuels and electric energy. The amount of the organizations' wage funds will increase by the amount corresponding to the conservation in relation to the annual limits.

In selected organizations with considerable fuel and energy consumption, the mandatory indicator of this consumption (not exceeding all or selected limits) will have to be included in the indicators for standard evaluation of the plan fulfillment. Fuel and energy consumption will be mandatorily used as one of the key indicators for giving annual bonuses to managers and those deputy managers who are responsible for consumption.

The consumption indicator will also be mandatorily applied in all organizations as the key or qualifying indicator for granting premiums and bonuses to department heads, other technical-economic workers and blue-collar workers who significantly affect fuel and energy consumption and are responsible for it. Financial incentives for these workers will be gradually revised and necessary technical and organizational conditions created in order to make them intensively interested in fuel and energy conservation, and in eventual penalties for noncompliance. The ministries of labor and social affairs will issue necessary instructions to make the procedure uniform. The central agencies in individual sectors will set reliable consumption standards.

The organizations producing and supplying heat and fuel gases must be prevented from offering undesirable incentives to workers for surpassing the technically justified volume of deliveries. As has already been done for workers at power plants, the premium indicators will have to be adjusted similarly in these organizations.

The revision of wholesale prices of products of the fuel-energy complex became effective 1 January 1981. In addition to this one-time revision, whose purpose was to bring wholesale prices closer to the socially necessary costs, the prices of all fuels and energy will be gradually increased 2 percent annually during the entire period of the Seventh Five-Year Plan.

In comparison with 1978, wholesale prices of solid fuels on the average increased 34 percent, of gaseous fuels 49.8 percent and of electricity and heat 24 percent in 1981. The gradual increase in prices of all types of fuels and energy will amount to additional 8 percent during the 1982-1985 period. Moreover, there will be increases in wholesale prices of diesel fuel and fuel oil, gasoline, lubrication and automobile oils and light fuel oils with a 10 percent discount to users. To put it briefly, the increase in wholesale prices will be substantial during the Seventh Five-Year Plan and will be reflected in the increased share of fuel and energy costs in consumers' total expenditures.

Regulation, Organization, Control

In these instances where the adopted technical measures prove inadequate for securing a smooth supply of electric energy or fuel gases to the national economy, regulatory measures will have to be enacted which will organizationally and technically provide for desirable lower consumption.

To make these measures more effective, the present system of temporarily reducing electricity consumption 1-4 percent by individual areas will be superseded by a list of required savings detailed for individual ministries on the basis of consumption in the past. A similar differentiation will also be carried out in reduction of contracted electricity output during peak load periods, which will result in an effective increase of approximately 100 MW.

It will also be necessary to make more effective the regulation levels for flexible reduction of electricity and fuel-gas supply during 1982. In connection with the planned revision of the Economic Code, the basic conditions of electricity and fuel-gas supply will be changed. Applicability of the present contractual consumption limits will be evaluated and financial penalties for exceeding these limits and possible shortening of the contractual period will be considered.

Regulation level No 8 in various modifications will be prepared for ready use in the grid during emergency situations. Likewise in the gas supply system, selection will be made of so-called appliance regulators with reference to the priority needs of the national economy.

In support of the conservation effort, it is necessary to organize for medium-size and small users in both the production and nonproduction sphere a consulting service and provide expert assistance through specialized organizations (research and design institutes) under the jurisdiction of the federal ministries of fuels and power, metallurgy and heavy engineering, general engineering, electrotechnical industry, transportation, construction industry, and agriculture and food.

In view of the unsatisfactory condition of a considerable number of boilers using liquid and gaseous fuels, it is recommended at the same time to provide through FMHE [Federal Ministry of Metallurgy and Heavy Engineering] service for maintenance and repairs of these boilers of small and medium capacity.

In view of varying practice so far in the maintenance of heating systems, it is recommended that building owners check and repair all control elements of these systems and to weatherstrip windows and doors prior to the beginning of the heating season.

An integrated control system calls for close cooperation of enterprise control organs with the State Power Inspectorate and their incorporation in the entire system of fuel and energy conservation. These organs should investigate the causes of existing shortcomings and establish the guilt committed by responsible workers, follow up the implementation of corrective measures including the application of sanctions, inform the work collectives about the existing shortcomings and mobilize them for their elimination.

To make controls more effective, it is necessary that the State Power Inspectorate follow a uniform procedure and impose stricter penalties, including sanctions, for established transgressions. This should be facilitated by the planned revision of law No 64/1962 of SBIRKA or revision of

the basic conditions of fuel and energy supply. In this group of problems the following may also be included:

- the possibility of imposing fines upon the first gross violation of principles governing fuel and energy conservation or because of nonobservance of consumer discipline;
- blocking of part of specified limits for fuels and energy in case of obvious waste or uneconomical consumption;
- increasing control personnel for analyses in depth and special reviews by adding to it a special task force of activists and experts selected from the power departments of fuel and energy users;
- prevention of filing unjustified appeals and so on.

The worldwide upward trend in the prices of fuels, energy, and raw and industrial materials is so far-reaching that the problem cannot be solved by increasing planned savings or further reduction of the already minimum growth rate in production and use of national income alone. It is imperative to develop a new long-term concept of transition of our entire economy to the intensive type of development, immediately to work out and systematically to supplement the broad set (of tactical and strategic) measures, and to press uncompromisingly for their implementation.

10501

CSO: 2400/148

CONTRACT VIOLATIONS IN CONSTRUCTION COMBINES CITED

East Berlin BAUZEITUNG in German Vol 36 No 2, Feb 82 pp 72-73

[Article by Michael Hupe, contractual affairs judge, Central Court for Contractual Affairs: "On Some Questions of State Discipline in Construction Industry Combines and Enterprises"]

[Text] In the directive by the 10th SED Congress to the 1981-1985 Five-Year Plan it is stated: "Socialist law must be consistently implemented as a solid component of socialist management activity.... Strict observance of the state order, which is set forth in laws and other legal regulations, is an unconditional and priority task of all state organs, combines and enterprises, their managers and collectives and all working people."¹ The results of the work of the State Contractual Affairs Court confirm the progress which has been achieved for several years in implementing socialist lawfulness in the sector of economic law. However, they also reveal in the construction industry combines and enterprises a number of obstacles which require more purposeful effort in the future to overcome them.

On the Responsibility of Managers for Guaranteeing the Unity of Plan, Performance and Contract

Since the decree on guaranteeing the unity of plan and contract in respect to concluding and fulfilling economic contracts² was put into effect about 4 years ago, it can be estimated that in many respects in the construction industry there is also better compliance with the basic principle of socialist management of the economy. Since then an efficient information system has been developed in most enterprises. It places the responsible managers in a position of having exact control on the level which is achieved in any particular case, of contractually guaranteeing the plan and, on the other hand, of including the controls on fulfilling a contract directly into the control mechanism of fulfilling the plan. As a result, extensive dovetailing between the use of capacity and the enterprise's project lists and the performance decisions was achieved and the share of construction which was done outside the plan was effectively reduced.

At the same time it should not be overlooked that these predominantly positive experiences require even broader generalization. Thus, the State Contractual Affairs Court also had cause quite recently to require construction enterprises

to pay economic sanctions because they were involved in implementing investments which were outside the plan. In the proceedings which were carried out the enterprises concerned were only able to present such motives for their behavior as were contrary to their duty and which expressed their subjective falling behind in social requirements.

In part the attempt was made to justify the use of capacity which was outside the plan because of missing construction liberties on planned projects or even by an inadequate utilization of winter construction measures. The existing capacity situation meanwhile leaves no doubt of any kind about the fact that in the case of problems of utilization which might occur, use of the capacities which is appropriate to the economic requirements can be coordinated jointly with the organs responsible for balancing supply and demand. The obligation for such kinds of coordination in no way has a formal-administrative character, rather it is in accord with the fundamental requirements of plan management. Moreover, in respect to several enterprises, a direct connection between completing work outside the plan and contractual backlogs on planned projects was demonstrated.

Clearly positive results were also achieved in respect to the necessary separation between preparing for investments and implementing investments. In this regard, the increased interest of many construction enterprises in the lawful preparation of policy decisions must be emphasized. Yet even in this sector there are clearly still reserves. In part, contracts on the implementing investments are repeatedly concluded even before preparation in accordance with legal regulations was completed. Such wrong behavior, which regularly results in substantial losses in efficiency, likewise fulfills the conditions for imposing an economic sanction³ and beyond that cause additional disadvantageous consequences⁴ for those involved. Since such contracts violate a legal prohibition,⁴ according to section 68 of the Civil Code, they must be considered void, that is, there are no mutual requirements for fulfilling them. Thus, the construction enterprise involved cannot even require the payment of the purchase price, but only a replacement of value while the contractor, for example, is not entitled to any guarantee rights. Stimulating behavior which is in keeping with the legal regulations is in the long run smoothed out by the fact that the bank also freezes the appropriate credit accounts in such cases.

For Higher Quality in Housing Construction

The quality requirements, which in our economy are generally increasing,⁵ apply not only in an unlimited way to the enterprises involved in housing construction, rather in this most important sector of our social policy they take on special significance.

In the past few years in a number of bezirks noticeable improvements in quality were achieved. They are the results of more consistent observation, which was implemented at all levels of management, of the requirements for guaranteeing higher quality. Necessary systems for ensuring quality are now available in a well developed form and set uniform standards for all construction combines and enterprises. In addition, there is the quality inspection

regulation⁶ which has been in effect since the beginning of last year and replaces the various previously applicable territorial regulations on the acceptance of housing construction projects. Thus, overall there are favorable conditions for successfully intensifying the struggle for high quality. From the point of view of the State Contractual Affairs Court there are basically two key areas for directing this process:

Acceptance of Usable Projects

In accordance with the legal regulations, the contractor may demand the acceptance of investments only under the condition that he has first demonstrated their usability. This includes proof that the work was carried out in accordance with the contractual agreement and shows no deficiencies or imperfections which diminish the agreed upon or contractually specified usability.⁷ Imminent violations of planned contractually agreed completion deadlines for housing construction projects, however, tempt many housing construction combines to continually disregard these compellingly regulated requirements and to extend acceptance to points in time at which the usability of the projects, which at the same time must always include the possibility of the renters moving in, is not yet present.

Although the main contractors in such cases are obligated to refuse acceptance,⁸ acceptance of the projects is partially done and handing them over to the legal entities is strived for. The deficiencies which must still be eliminated and the work remaining to be done then require even more or less long periods of time until the key is turned over to the renters.

It was established that incomplete work is mainly concentrated on external facilities, but in part also includes improperly manufactured electrical and heating systems and a number of other items. Now and then the requisite test information of the State Construction Inspectorate is not available in a timely manner. On the other hand, the legal regulations also exclude the possibility of acceptance in those cases in which to be sure an insignificant, but large number of deficiencies are present which in their totality still result in impairment of usability.

Finally, it is also a matter of avoiding, through legal preparation of acceptance, the situation where the terms of acceptance are hampered by various jobs remaining to be done. In accordance with the regulations of the quality inspection regulation, therefore, prior to acceptance, joint inspections of the project are required, in whose context determinations must be made concerning the work yet to be done before acceptance. In this connection mention must be made of the fact that the periods of time for acceptance are part of the contractor's performance period and must be appropriately considered by the latter in the construction operation plans.

In overall consistent effort must be made to counter the violations of the law presented here which are also linked with an incorrect statistical settling of accounts. It can be estimated that the economic sanction proceedings with this goal, which are implemented by the State Contractual Affairs Court, have already contributed to improving state discipline in this

sector, too. Yet in further work it is a question of intensifying the critical coping with such occurrences on the part of the bezirk construction offices, combine and enterprise managements. In this, there must likewise be an impact on the fact that during the period of concluding contracts there is better agreement with the requirements, which are regulated in the acceptance regulation, for a minimum of acceptable units, in order thus to avoid too extensive fragmentation of the projects which are supposed to be the object of independent acceptance actions.

Beyond that, the increasing number of intermediate solutions realized and provisional arrangements also demands special attention. It is important for shaping the contract that the right of the bezirk construction director to decide on the implementation of intermediate solutions to guarantee usability does not free the partners from the obligation to bring about appropriate changes in the contract on this basis since otherwise the legal consequences of the material responsibility take effect.

Shorter Correction Periods

In addition to guaranteeing high quality in housing construction projects at the time of their acceptance, in the future ever greater efforts must be directed at adhering to the shortest periods of time for correction and completion. As everyone knows, this touches directly on the housing requirements of the citizens and thus on the socio-political concern of the housing construction program. Thus, it is no longer possible to accept the positions represented by the individual managers that in consideration of the constantly growing volume of our housing construction the quantitative fulfilling of the plan must have priority over warranties.

Again, it must be recalled that the legal period for correction, to the extent nothing else was agreed on, is 15 days. Such other agreements should be made especially when, for technological reasons, longer correction periods are necessary. The same thing is true in respect to the obligation to complete the work. In this connection it must be stressed that the determinations set forth in the quality inspection regulation in respect to estimating the extent of the value of work remaining to be done as contained in the acceptance record naturally do not restrict the obligation to complete the work in accordance with the contract in the event of possible faulty estimates.

In coming to terms with especially gross or repeated violations of the obligation to eliminate deficiencies in a timely manner the State Contractual Affairs Court implemented economic sanction proceedings. In this respect, it was clearly demonstrated that a legal removal of deficiencies is generally possible.

The targets which were issued to the responsible managers as a result of these proceedings were for the most part to be directed at developing stricter inner-enterprise control and a more efficient organization for eliminating deficiencies within the combine and at the development of more consistent application of existing demands in respect to the cooperating partners outside the combine in question.

FOOTNOTES

1. "Directive by the 10th SED Congress to the Five-Year Plan for the Development of the GDR Economy in the Period 1981 to 1985," reporter: Comrade Willi Stoph, Berlin, Dietz Publishing House, 1981, p 42.
2. "Decree of 26 January 1978 to Guarantee the Unity of Plan and Contract in Concluding and Fulfilling Economic Contracts," LEGAL GAZETTE Vol 1, No 6, p 85--Plan-Contract Decree.
3. Article 17, Section 1, No 2 of the Plan-Contract Decree, op.cit.
4. Article 9, Section 2 of the 8th Implementing Decree of 12 October 1978 to the Contract Law, LEGAL GAZETTE, No 37, p 397.
5. Report of the SED Central Committee to the 10th SED Congress, reporter: Comrade Erich Honecker, Berlin, Dietz Publishing House, 1981, p 54.
6. Order by the minister for construction, 11 November 1980, concerning the acceptance of residential buildings and community facilities in comprehensive housing construction--Quality Inspection Regulation--Directives and Information from the Minister for Construction, No 6, p 41.
7. Article 15, Section 1 of the 8th Implementing Decree to the Contract Law, op.cit.
8. Section IV, No 1 of the Quality Inspection Regulation, op.cit.

12174

CSO: 2300/167

MEASURES TO REDUCE TSZ INCOME INEQUITIES

Budapest PARTELET in Hungarian No 12, Dec 81 pp 21-26

[Article by Jozsef Takacs: "Differentiation in the Development of Large Farms"]

[Text] Agricultural production developed dynamically during the Fifth Five-Year Plan, although the weather was unfavorable for 3 of the 5 years in this period. Between 1976 and 1980, agricultural production on the average was 15.3 percent higher than in the previous 5 years. Yields surpassing all previous results were achieved in wheat, corn, meat and dairy production. On basis of the grain and meat production level, the results of Hungarian agriculture were outstanding also by international standards. In 1980, per capita grain production was 1,300 kg and meat production 130 kg. Among European countries, only Denmark and occasionally the Netherlands surpassed us in this area. Aside from minor and temporary problems, the domestic food supply has been good and well-balanced for years.

Rapid structural changes are not frequent in agricultural production, but in the past plan period significant changes occurred in the production of certain products. The farms raised or lowered the production of sunflowers, sugar-beets, milk, poultry, and rabbits in accordance with market demands. The export of agricultural and food products in 1980 was 25 percent more than 5 years ago. Stability is generally characteristic of food product export, and this is a constant and important factor in improving the foreign economic balance.

Most important in the development are the large agricultural operations. State farms have increased their agricultural production by 25 percent, and producer cooperatives by about 20 percent. Good conditions have also been created for household and auxiliary farms, and thus their production has increased by 7 percent. Nowadays 30 percent of agricultural products are produced by small farms.

Despite the results, various strains have accumulated in agriculture during the past years, efficiency has not improved adequately, the development of crop production has lagged behind livestock breeding, on occasion poor quality products have also been a problem, and so forth. But the greatest and most prolonged problems have been in differentiation among the

agricultural operations. Increased agricultural production is the most balanced and the most rapid when all farms are exploiting their endowments the best and raising their production. The various categories of agricultural operations are contributing in different degrees to the increase in agricultural production. The farms are reacting in different ways to changes in the economic environment.

Differentiation in production and results is a natural accompaniment of management. But in agriculture the task is more complex and greater in extent and nature than in other economic branches. The consequences are not only economic but can also draw in their wake the sharpening of socio-economic problems. The differentiation among farms affects all areas of life; the size of personal incomes, the development of living standards, the level of work technology, site development, and so forth. Therefore, political organs also deal with the subject in accordance with its importance.

The problem of differentiation became particularly timely in the beginning of the 1980's because of the appearance of new phenomena. Formerly, the biggest problem was the large-scale spread in personal incomes. Therefore in 1974 when the Politburo reviewed the problem of differentiation, its resolutions dealt in a particular way with the moderation of large-scale differentiation in personal incomes. As a result of state measures following the political decisions, the differentiation process in personal incomes was halted. Between 1975 and 1980 all farm groups increased worker income by nearly the same extent, and thus the approximate 20 percent income lag of large farms with unfavorable endowments was stabilized.

The regulatory system of the Fifth Five-Year Plan faced large farms with higher requirements, and the stricter economic regulators permitted greater room for differentiation among the farms. The large farms, which were operating under different circumstances and were also different in their state of development, were not able to adjust uniformly to the changing conditions. The large farms which were producing with low efficiency lagged behind more and more in development while the good farms operating at a high level developed dynamically. Nowadays, the new phenomenon in differentiation is not in an increase of differences in personal incomes but primarily in possibilities for production development.

Many well-known methods exist for showing the differentiation among large agricultural operations and for classifying certain farm groups. Nowadays efficiency requirements are being emphasized. Thus we judged the extent and effect of the differences among farms on the basis of the size of income that could be earned with 100 forints of cost. We did the grouping on agricultural producer cooperatives but the conclusions and tasks arrived at could also be applied to state farms. In the Fifth Five-Year Plan period, the producer cooperatives achieved an income of 11.50 forints with an average outlay of 100 forints. But the average conceals a great difference in cost effectiveness. We classify the farms which attain an income over 12 forints with an outlay of 100 forints as high-income farms, those attaining results between 6 to 12 forints as average-income farms, and those attaining results below 6 forints as low-income farms.

More Important Farm Group Characteristics

The above-mentioned grouping shows that among the 1,338 agricultural producer cooperatives a total of 565 are operating at a high level, or 42 percent of the cooperatives. They produce the greater part of the production value of the cooperative sector with high efficiency. In the past 5 years they developed the most dynamically of all groups. They are better provided than the others with all the factors of production--means, manpower, land quality, skilled people, and so forth. In their production structure the ratio of profitable industrial and service activity is high. Their crop production and livestock breeding are also at a high level. More than one-half of the wheat, corn, milk and pork production of the joint cooperative farms comes from these operations. Their common characteristic is that they adjust flexibly to changes in economic conditions. Their management is balanced and stable. They realize about three-fourths of the total profits of cooperative farms. Their role is more and more important in the shaping and development of the agricultural branch.

The composition of the farm group operating at a high level is differentiated, however. More than 60 of the cooperatives, for example, have unfavorable producer-site endowments. Outstanding operations in the group are those 100 farms which are able continually to attain results over 20 forints per 100 forints of cost. On the basis of their results, their modern production organization procedures and their relations with international development, represent a great power of attraction to the other agricultural operations. These production systems are in fact the driving force of agriculture, the responsible leaders and organizers of economic cooperation, and the initiators and diffusors of modern technology and procedures.

Three hundred eighty eight agricultural producer cooperatives, or about 30 percent of the sector, operate at around the average level. They share to the same extent as their overall ration in producer area, means, manpower, and production value. The rate of their production increase is also around average. In their production structure, agricultural activity is of greatest importance. The ratio of activity outside of agriculture is the lowest in this farm group. They have an important role in the successful carrying out of the grain program and in dairy and meat production. Financially, the management of a large share of these farms is balanced, and this is also promoted to a certain extent by income regulation. In the past 5 years, they have made great advances in the utilization of the land, and their means efficiency and work productivity have also risen significantly.

Although their development has been significant, the production and efficiency reserves are still great in these producer cooperatives. They can discover and utilize these reserves with a production structure that adjusts better to their endowments, better adjustment to the regulators, improvement of farm organization, and provision of the appropriate personal conditions. In the past 5 years, it has been this group of cooperatives which has reorganized to the greatest extent. In 1976 about 40 percent of the producer cooperatives producing with average efficiency moved into the highly efficient group, 20 percent into the low efficiency group, and all in all one-third moved to their previous category.

Three hundred eighty five producer cooperatives, or about 30 percent of the farms in the sector, operate at low level. In the Fifth Five-Year Plan period this group of farms also raised production, but the results of their operations deteriorated. While in producer cooperatives operating at a high efficiency the income content of price receipts exceeds 12 percent, and at those operating at average level 7 percent, the ratio in this farm group comes to 0.7 percent. There are manifold reasons for the low efficiency, the poor production, and financial results. Subjective errors and objective problems strengthen and moderate the effect of each other as they alternate in a variegated way. The cause of the low efficiency in about 100 producer cooperatives is the recurrent flood and inland waters damage, in 180 to 190 farms the unfavorable producer site endowment, and on about 100 farms primarily the low level of leadership and organization, and the inadequate production structure. Thus unfavorable producer site endowments do not always result in low-efficiency production: almost one-half of these producer cooperatives, for example, belong to the medium or high efficiency group of farms.

Cooperatives operating at a low level have, in comparison to their resources, undertaken a great deal in the production of products that are important to the economy (cattle breeding, dairy production, sheep breeding, and so forth). On the other hand, the ratio of their activity which provides a greater income is lower than average. Their yields lag behind the cooperative average by more than 20 percent. Their outlays are not recovered at all, or hardly, in producer prices shaped by average conditions, the low income narrows their development possibilities. Because of the lack of eigen resources they are able to use 30 percent less investment support than the average, and supports which increase results in relation to volume are 5 percent less than in the case of successful farms. Many of them are unable permanently to assure the conditions of simple reproduction. Their development funds are burdened by large credit obligations, and the working and living conditions for the worker are not as good as those in other cooperatives.

The cause of the unsuccessful and hopeless operation is the fluctuation in the managers and skilled workers, and in the departure of the good ones.

As a consequence of all this, producer cooperatives with a low efficiency are lagging behind more and more in development, most prominently in development resources. Between 1976 and 1980 the differences between producer cooperatives of low and high efficiency increased from 1,600 forints in development resources per unit of area to 2,500 forints. Personal income rose from 32,200 forints in 1976 to 40,600 forints in 1980. But even with this significant increase they did not catch up with the high efficiency producer cooperatives, where during the same period personal incomes rose from 39,000 forints to 49,300 forints. Particularly critical is the situation of those 100 to 150 producer cooperatives where debts have accumulated to the point that they cannot be paid off over a 12 to 15 year amortization period. Even with the annual deficit settlements they can only obtain credits for their debts, but still lack the means necessary for development.

Cooperatives with low efficiency operate on a producer area of one and one-half million hectares, they have fixed assets worth almost 40 billion forint, and employ 145,000 workers. Our society cannot forego these large volume producer capacities. The farms as well as the economy are interested in their more efficient operation. Their production is significant, and corresponds to one-year's export of agriculture.

The differentiation among agricultural operations can become the source not only of economic but also social and political strains. Producer cooperatives which operate at a high level are located more and more in the Budapest and North Transdanubia industrial agglomeration, while those which operate at a low level are located on peripheral areas of the country, mainly on the northern, northeastern and eastern border areas. The differentiation means not only a difference in achievement among farms but an increase in the differences among areas of the country. Such a differentiation gives rise to a permanent population movement. The consequence is a decline in population in low efficiency areas and overpopulation in other districts, neither of which is a desirable phenomenon. The settlements and large farms on the peripheral areas foster, in addition to their economic activity, the ethnic and cultural traditions and are strong influences in the development of settlements. Thus it is not a matter of indifference what level of management, organization and work discipline these large farms diffuse into their districts. Considering that in these areas the agricultural large farms represent an economic organization force, the special support they receive helps in the solution of problems which point beyond production policy problems in the more narrow sense. Therefore, they must be provided with the possibility of increasing jointly held property, modernizing their production procedures, making human relations more cultured, and improving work discipline.

Support for Low-Efficiency Farms

The strains of differentiation have become nowadays of such extent that with the political and state organs deal in a many-sided way with this problem, and regard it as necessary to take certain measures. In those areas, or in those producer cooperatives where the low level of operational efficiency is caused by recurrent flood and inland water damage, the execution of the remedial program is being accelerated. To this end, the farms are also receiving state support in relation to their capacity for carrying these burdens. On areas not affected by the remedial program, farm water management is emphasized.

In order to adapt production structure better to the endowments and the need of the economy, special price supports have been increased for farms with unfavorable producer site endowments. To realize the grain and meat program successfully, they have extended the price supports also to large agricultural farms operating on 17 gold crown plowland, or less. Beginning on 1 January 1982, special price supports will be received for marketed berries, beef, mutton, cereal grain, and corn. The producer cooperatives will receive the additional price supports independently of results as long as the present support system is in effect. In addition to price supports for

agricultural products, tax allowances for industrial activities will also assure them additional sources. With these measures beginning in 1982, annually 500 million forints will be transferred to the use of about 600 subsidized large farms at the cost of large farms with a medium or high level of efficiency. With this sum, the farms belonging to the subsidized group may on the average gain additional receipts of 800,000 forints per annum.

It is very important that these producer cooperatives should also have an adequate number of well-trained skilled workers. For this purpose, the state organs have again provided 100 million forints. In its use, we shall give preference to those who settle in groups and care will be taken to see that after the contract expires the skilled workers may return to their former assignments or to similar jobs.

The machine supply must also be improved for these small farms. There is need for a new system of machine loan and supply which will make it possible for these farms also to have access to the most modern machinery and technologies.

There are also great reserves in the development of the "strong help the weak" movement. So much material and intellectual power has accumulated on the best farms that if beamed outward it could have a beneficial influence on the weaker farms. The success of this movement will depend on the extent to which we give strong farms material incentive. The relationship can extend to the development of a given sub-branch, the sharing of the revenues deriving from it, the joint use of a given area or building, or their rental, and so forth. But it will also provide great help if the strong farms transfer profitable industrial or other auxiliary activity to the weaker farms and teach them in the use of the new technique and the organizational tasks. We need to devote special attention to the development of auxiliary activity on low-efficiency farms because in this way they will not be able to raise their revenues but also solve more quickly their employment problems.

It is justified to seek and use new organizational and management forms in the solution of the problems of the low-revenue farms. The introduction of a characteristic production and accounting system for the low-type producer cooperatives may be suitable for this, as well as a more organized coordination of household production, the expansion of share production, the use of outworkers, lease production, and so forth.

Political Tasks of the Party Organizations

Measures to expand sources and improve production conditions only offer the possibility for speeding up more efficient operations, and the economic and political leaders active in the place must take advantage of these. The party organizations promote better use of the possibilities by discovering and fundamentally analyzing the causes of low-efficiency operations, provide incentive to the leaders and workers for the development of a profitable production structure, and making use of the operational reserves as soon as possible. Together with the economic leadership, they should seek for

improving relations with the strong farms, for widening production activity with the industrial and service enterprises, and for deepening economic cooperation. They should provide good economic-social conditions for the skilled workers who undertake jobs, and take care to see that they and their families feel at home and relate closely to the large farm and the environment.

It is not only the task of the party organizations and economic leaders on the weaker farms to follow operations attentively and to analyze them critically. This is also the obligation of party and economic leaders on farms operating at a good or high level. Maintenance of the already attained results requires strong efforts, but increasing the results requires even more. The classification of farms into good and medium level is not constant. Here, too, change is always taking place. Some develop, others stagnate, and some regress. In 1980, for example, only 59 percent of the farms classified 5 years earlier as high efficiency could maintain their position, while 25 percent moved into the medium efficiency and 17 percent into the low efficiency category of farms. We have already mentioned that among those farms operating at medium level there was even more dynamic movement in the five-year period. With the expected tightening of the economic regulators, these farms will also be stimulated to better adjustment and to more efficient operation. They will be able to remain among the strong farms or advance if here, too, they develop the production structure more boldly and improve the procedures which today they still regard as good, do not permit the organizational framework to become rigid, and make the creative and initiative in the living and working style of the collective a natural one. There is no general formula for the solution of these problems, the forms and directions must be realized on every farm by the economic and political leaders who work there.

6091

CSO: 2500/162

HUNGARY

PROGRESS REPORT ON CONTRACTING, LEASING RETAIL OUTLETS

Budapest NEPSZAVA in Hungarian 5 March 82 p 5

[Article: "Higher Profits with Fewer Employees"]

[Text] For over a year now, since 1 January 1981, businesses and cooperatives have had a means of operating smaller stores and restaurants on a contractual basis, or renting them out to private businessmen. At the same time, career options have been expanded to the benefit of private enterprise. The upper limit on number of employees has also been raised, and operational conditions have been simplified.

At yesterday's government meeting, the effect of the measures was studied. It was determined that in the past year 2054 stores and restaurants were given over for contractual operation, while the number of private businessmen increased by 2000. These numbers correspond to previous projections according to which predict that the rate will continue to increase, and that by 1985 the number of contracted and leased stores and restaurants will be almost 15,000.

In the first year, the spirit of enterprise among trade workers was measured. This is in part indicated by the fact that of over 3000 advertised retail outlets, 2054 were contracted and 158 were leased. (The other private businessmen created outlets independently, thus increasing business capacity.) Last year, no takers appeared for half the advertised stores, while more than one competed for other stores, primarily restaurants.

The interest in village stores is less than that for stores operating in cities. The spirit of enterprise also varies across branches of business. The restaurants proved to be the most desirable, and stores for consumer goods were also sought, while few showed interest in grocery stores.

The measured nature of the enterprising spirit can be explained by the newness of the system; the complicated legal particulars reach trade workers slowly. At the same time, many are wary of material risk and unaccustomed hard work; and there were certainly those who were frightened away by the overly strict contract conditions set by the businesses and cooperatives. Grocery stores are probably less desirable because the majority are small, cause losses, and lack the conditions for profitable operation.

The government determined that contractual and leased retail outlets are operating successfully. Store managers seek to adjust to demand; in many places, they have increased product selection, adjusted hours of operation, and, through conversion of office and storage space and the creation of terraces, increased capacity.

It is quite worthy of note that the contracted and leased stores operate much more efficiently than earlier, under the self-employment system. Their rate of expansion is two to three times that of other similar stores, while they have reduced the number of employees by nearly 20 percent. The flat rate paid to the businesses and cooperatives is nearly twice as great as the previous income of these stores. With a few exceptions, those stores that previously operated at a loss have become profitable.

The required administrative work of the stores has been significantly reduced. This favorable effect is felt in business centers which have given numerous stores over to contractual operation.

According to plans, the spirit of enterprise will be increased through further 1922 modifications. More restrictions will be eliminated: primarily that which bars certain lines of business from contractual operation. In the future, only jewelry, automobiles, weapons and firearms will be prohibited from such sale. The requirements for business qualification will be loosened. At the same time, due to problems encountered in the bidding process, irresponsible bidders will be banned from competition.

PROBLEM OF INVESTMENTS IN INDUSTRY ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 5, 24 Feb 82 p 6

[Article: "Deceptive Riches"; materials from the Main Statistical Office's Departments of Industry, and Investments, Construction and Transport, were used in its preparation]

[Text] Playing fast and loose with investments in the past means inevitable losses in the present. The legacy is a huge disarray of unfinished projects, and not enough to meet living requirements. At the present rate of decline of generated and distributed national income, the brake on investments may somewhat alleviate the decline in consumption, at least for a short time. But riches in the form of investments should not be looked upon with scorn either, particularly if something in these investments can still be salvaged. The drastic slowdown in investments which took place in 1981 is certainly justified from the standpoint that a change in the direction of these investments was desirable. The problem is that the transition from holding back investments to restructuring them often requires more investments. And restructurization also requires considerable amounts of fixed assets, which are already in use and for which funds are also lacking. It is generally thought that poverty, particularly, does not allow for extravagance. This banal truth, although it can also be applied to some degree to investments, is exceptionally deceptive here.

Preliminary estimates have shown that total investment outlays in the socialized economy in 1981 were approximately 140 billion zlotys, i.e., 23.7 percent lower than in 1980, and 35.1 percent lower than in 1979. As a result, the net share of investments in the distributed national income, despite a significant decrease in the national income also, as can be seen in Figure 1, dropped from 22 percent to 11 percent. This is a drop in share of investments on a scale unheard of in the world.

The share of investments in national income in CEMA countries did not, as a rule, drop below 15-17 percent in any of these countries and except for Yugoslavia, it did not exceed 20-21 percent. In most of the developed capitalist countries, this share was not lower than 15-17 percent, and except for Norway (32.5 percent in 1977) and Finland (26.3 percent), it did not exceed 22-23 percent. Neither do international statistics reveal any cases, as happened in Poland during 1972-1974, where annual growth of investments for even 2 successive years exceeded 20 percent. Nor has there been recorded as sharp a drop in investments as occurred in Poland in the last 3 years.

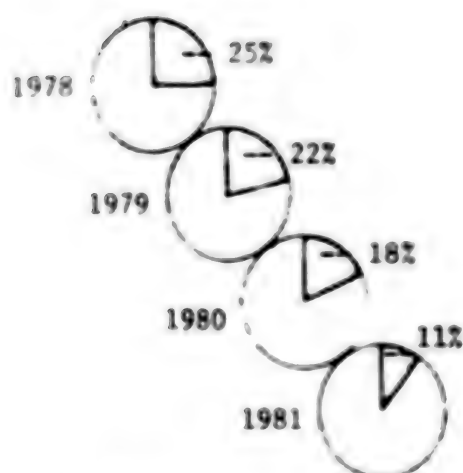


Figure 1. Share of net investment outlays in the distributed national income (fixed prices).

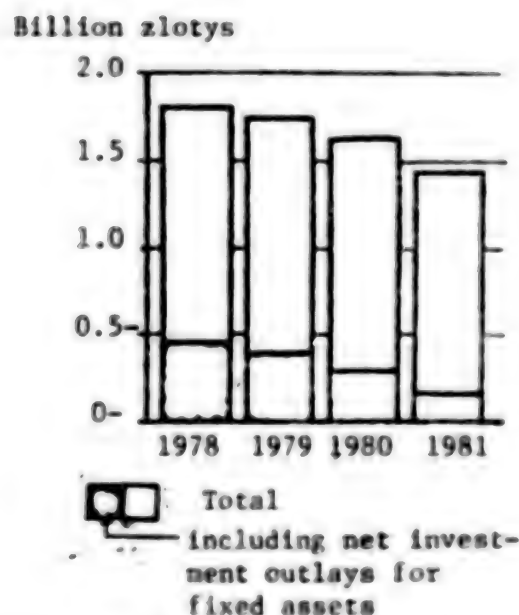


Figure 2. Distributed national income (fixed prices).

With such a sharp drop in investments, maintenance of a huge commitment and a continued increase in freezing of investments (see Table 1) was unavoidable, despite a drop in newly begun investments of almost one-half in comparison with 1980, and of almost two-thirds in comparison with 1979.

Table 1. Investment Outlays in the Socialized Economy

Item	1979	1980	1981	
	in billion zlotys		1979=100	1980=100
Total investment outlays	568.4	535.6	398.0	74.3
Freezing of investment outlays ...	664.8	797.5	860.0	132.4
Commitment of investment outlays..	1186.6	1292.3	1200.0	101.0
Cost-estimate value of newly begun investments during the year	378.2	221.1	120.0	71.7
Machines and equipment unutilized in basic economic ministries	45.3	53.2	61.7*	54.3

* As of the end of September 1981.

A portion of the commitment, amounting to 322 billion zlotys (according to data at the end of the third quarter of 1981) was preserved in connection with decisions made during the first half of last year on holding back investments with a cost-estimate value of over 518 billion zlotys.

There was a further increase in freezing of investments, which at the end of 1981 were estimated at 880 billion zlotys, setting another record. At the end of 1980, this amounted to 797.7 billion zlotys, and, at the end of 1979, 664.8 billion zlotys.

An important element in the freezing of investments are unutilized machines and equipment. Figures from the end of September 1981 (we will not have later ones until the end of March) show that they reached a value of 61.7 billion zlotys at the end of 1979. The value of unutilized imported machines also increased.

Close to one-fourth (196 billion zlotys) of frozen investments were outlays already made for investments which were held back.

Machines and equipment "frozen" in installations that were delayed represent a value of 22 billion zlotys.

A structural examination of commitments and freezing of investments shows that they are concentrated in large constructions. We called attention to this problem when we wrote on investments during the middle of 1981 (compare: "From Main Statistical Office Materials--More Truths on Investments", ZYCIE GOSPODARCZE, No 27, July 5, 1981).

We reported a series of figures at that time which showed the dominance in investments of large construction operations. Three-fourths of freezing of investments and commitments were in construction with cost-estimate values in billions of zlotys. We can add, for illustrative purposes, that of the total value of unutilized machines as much as 40 percent was in barely a few installations: Nowotki Steelworks (1.2 billion zlotys), Cellulose-Paper Plants in Kwidzyna (5.5 billion zlotys), "Polaniec" Electric Power Plant (1.9 billion zlotys), "Ursus" Tractor Industry Plants (5.5 billion zlotys), and Katowice Steelworks (9.1 billion zlotys).

The structure of the production capabilities stemming from implementation of the investment program is important. The riches in the investment program are deceptive because, first of all, the creation of new work stations does nothing if the already existing work stations are not being utilized, or are being utilized to only a small degree.

The data in Table 2 makes it possible to visualize the scale of the unutilized production capabilities in the socialized industry on the basis of data on the decline of productivity of its fixed assets, which amounted to minus 6.3 percent during 1976-1980, computed on an annual basis.

This was caused during those years by a continued growth of technical development of labor, which changes under the influence of investment with a certain time lag.

The results, now the reverse of the present deceleration of investment--in the form of a rapid aging of fixed assets, will not be felt until the next few years.

In 1981 there was a further reduction in productivity of fixed assets. The scale of this reduction probably exceeded 20 percent (in comparison with 1980). In this estimate we assume that net output in industry fell 18 percent, and technical development of labor rose by at least 2 percent. In the fourth quarter of 1981, and in

Table 2. Productivity of Fixed Assets in Socialized Industry (Fixed Prices)

Item (grouped by the enterprise method)	1971-1975	1976-1980
	Average annual growth rate in percentage	
Total socialized industry	1.4	-6.2
Fuels-energy industry	-1.3	-9.1
Metallurgical industry	+1.6	-10.2
Electro-machinery industry	+1.9	-4.1
Chemical industry	-5.3	-4.4
Minerals industry	+2.0	-6.0
Wood-paper industry	+1.0	-5.4
Light industry	-2.0	-5.3
Food industry	-3.4	-10.8

and in December 1981 and January 1982, the reduction in productivity of fixed assets was still greater, because during this period there was another increase (by several points) in decline in output,

Assuming, in accordance with the data contained in Table 2, that the decline in productivity of fixed assets in 1980, as compared with 1975, which amounted to 30 percent, dropped another 20 percent in 1981, we envisage that we can, on this basis, approximately estimate a reduction in productivity of fixed assets in the socialized industry at a level approaching 50 percent.

The greatest decline in industrial production, and thus also in the underutilization of production capacity in 1981 (the further decline during the fourth quarter of 1981) occurred in the metallurgical industry (a decline of 17.5 percent), including over 25 percent in the fourth quarter in 1981 in ferrous metallurgy, and in the construction materials industry (17.3 percent); the electro-machinery industry (12.4 percent), including means of transport (15.7 percent); in the chemical industry (11.1 percent), textile industry (10.3 percent), and also in the food industry (13.4 percent).

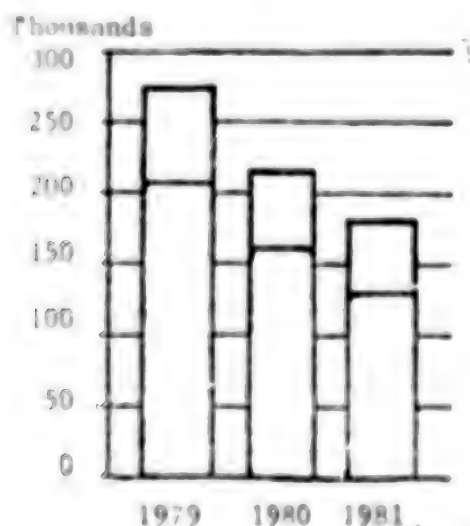
We still do not have data on the distribution of freezing and commitments of investments for these subsectors at the end of 1981. Early figures show, however, that in many subsectors of production with the highest production capabilities, the largest investments were begun. In ferrous metallurgy, for example, at the end of 1981 freezing of investments exceeded 50 billion zlotys. This was primarily the result of excessive expansion of investments in these subsectors as early as the first part of the 1970's. In the metallurgical industry, the average annual rate of investment during 1971-1975 was 27.3 percent. During the second half of the 1970's, this was already unfavorable, amounting to minus 13.4 percent, which, as it turns out, did not mean that investments had been sufficiently slowed down.

In the electromachinery industry, the average annual growth rate of investment outlays during the first and second half of the 1970's changed from plus 25.5 percent to minus 8.3 percent, and in the construction materials (cement) industry, from plus 19.5 percent to minus 21.2 percent; the light industry, from plus 19.9 percent to minus 15.2 percent; and the food industry, from plus 27.2 percent to minus 11.3.

Only in the fuels-energy industry did the favorable growth rate of investment remain, during the second half of the 1970's, at plus 5.1 percent as compared to 13.6 percent in the first half of the 1970's (in the coal industry, it was 14.7 percent compared to 13 percent).

As a result of the slowdown in investments in industry, its total share in investment outlays decreased from 41.4 percent in 1979 to 40 percent in 1980 and 38.4 percent in 1981, according to data for the first six months. Construction's share also dropped (comparable figures here are 5.8, 5.3 and 3.8 percent) and agriculture's share dropped from 14 percent in 1979 to 12.5 percent in 1980 and 11.9 percent in 1981 (first six-months' figures). In the second half of 1981 there probably was an increase in agriculture's share in investments, which we will be able to confirm very shortly.

However, there was an increase in share of investment outlays in the sphere outside of materials production, especially for the housing economy. In 1979, 14.1 percent of investment outlays went to this economy. In 1980 the figure was 17.8 percent, and in 1981 it was over 18.8. Unfortunately, this increase in share does not indicate an actual increase in housing investments. Housing investments simply dropped more slowly than total investments. In view of the growth in housing investment costs, materials and other difficulties, the figures on housing construction were steadily worse, as can be seen in the following figures.



Total
(including the socialized economy)

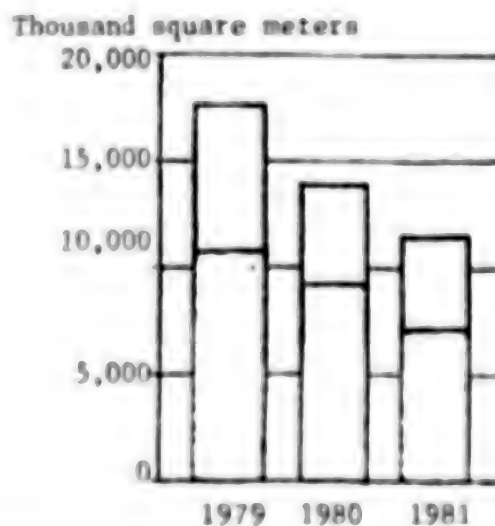


Figure 3. Delivered housing units.

Figure 4. Living space of delivered housing units.

Summing generally, therefore, we can say that in 1981, especially during the second half, there was a significant deceleration in investment processes. The question is whether the halting of these investments was accompanied by sufficiently active structural changes. It would appear that progress was not adequate in this last area.

As already pointed out in the July 1981 article, investments last year were additionally financed out of the budget by about 100 billion zlotys, in the form of subsidies for construction-assembly enterprises and enterprises producing construction materials. A new accounting of investment outlays will reveal their actual higher level and should be a cause for more active restructuralization of investments.

The neutralization of the negative influence of supplies of capital goods on the maintenance of the traditional structure of investments constitutes an important problem. We should expect some help here from the changes being made in management methods. But how, under the present conditions of a serious shortage of materials, can we bring out a buyer's market in capital goods? What can we do to effectively eliminate the production and import of "unutilized machines and equipment"?

The increased role of banks in granting credits for investments, announced several weeks ago (see ZYCIE GOSPODARCZE, No 2, January 31, 1981, Henryk Mlodzianko's article, "The Principles of Financing Investments") may possibly have an effect on forcing investors and implementors of investments to give more consideration to cost-effectiveness. At the same time, other measures aimed at overcoming the inertia in investments processes appear to be essential. The favoring of traditionally preferred fields of industries by the implementors of investments is responsible for this. These fields are generally overinvested and have tremendous unutilized production capacities. But the traditional privileges of the implementors of investments often appear to be stronger than any kind of economic or social reasons.

This does not mean that some kind of absolute rigidity in all of last year's investment decisions is being demanded. A great deal of flexibility is required in the control of investment processes. Where perceptible economic and social effects can be obtained, investment should be possible. In the present situation, where production capabilities are not being utilized, investments in well-chosen fields can be simply gold mines. But we should not yield to suggestions, including suggestions of wasted riches: costly and unutilized machines which, in their assigned purpose, would be useless. There are deceptive riches, which can only aggravate our penury.

9295

CSO: 2600/350

POLAND

DIRECTOR, AGRICULTURAL ECONOMICS INSTITUTE, DISCUSSES FOOD SITUATION

Warsaw ZYCIE GOSPODARCZE in Polish No 5, 21 Feb 82 pp 1,6

[Interview with Prof Augustyn Wos, director of the Agricultural Economics Institute, by Marcin Makowiecki; date and place not given]

Marcin Makowiecki: Will agricultural economists do an appraisal of the economic effects of farm policies carried out in the seventies?

Augustyn Wos: Our institute annually compiled and published an analysis of the productivity of the agricultural sector which includes an appraisal and depiction of the tendencies existing in various agricultural sectors. These compilations gave adequate and properly documented material to draw conclusions and to modify or to correct the directions and instruments of agricultural policies. It is another matter, however, to what degree our proposals are put into practice. Besides these periodic appraisals, we recently prepared an extensive paper on the subject of agricultural production and policies in the entire period of the seventies. In this work--which has already gone to press--we attempted not only to give complete source material, but also to appraise the results achieved at the time in the concept for agricultural development.

[Question] What conclusions can be reached from these experiences in relation to present economic practice?

[Wos:] There are many of them and they relate both to general questions as well as to particular ones, that cannot all be mentioned here. Instead, I would like to call attention to one of the most important matters, namely, the question of our country's self-reliance for food. Lately, under the considerable influence of the economic and political situation, the argument has arisen that we should achieve, if not fully, then at least at least a considerably greater degree of supplying basic commodities through our own domestic production than [is supplied] at present. At the institute we are preparing material--we will be able to present it soon to those who are interested--in which we attempt to reply to the question, on what does greater self-reliance in food for our country depend, is it at all possible and necessary, and by what methods should it be approached.

[Question] I fear that these [quite] valid ideas might lead someone to the conclusion that we should back out of world trade in basic agricultural commodities and food. This would be, after all, against our fundamental interest.

[Woz:] We do not proclaim such a notion in our study. The aim of greater self-reliance does not mean autarchy. We must buy and sell basic agricultural commodities and processed foods but, at the same time, rationally taking greater advantage of our own production potential, we should limit dependence on the leading foreign markets which, as we know, places an enormous burden on our food situation.

In the modern world, food is exploited as a political tool and a strategic weapon. Such an approach is not a recent innovation, it is not only a question of the recent restrictions, but it is the general policy of the U.S.A. and many other countries that have surplus agricultural products. The sale of basic agricultural commodities or food-stuffs is not an act of philanthropy--economic interests and politics are intertwined here, and are also aimed at increasing our dependence on supplies from abroad. Let us add that this policy fell in with our strong inclination toward a yearly increase of purchases and obtaining of credits, resulting from the acceptance of the concept of an overly grain-intensive livestock production in relation to our capabilities. At the same time, the main portion of these purchases and loans were concentrated in one country, which created additional political and economic problems.

In the second half of the 1970's, we obtained credits in the sum of 7.5 billion dollars earmarked for the import of grain and feed. The problem of dependence on the import of food, however, does not apply only to Poland. For example, during the years 1974-1980 socialist countries (excluding the USSR) purchased 96 million tons of grain, 45.5 percent of this from the U.S.A., and over 31 million tons of oilseed, along with oil cake. In sum, the expenditure for this import, solely from the U.S.A., amounted to 8.3 billion dollars, 2.8 billion dollars being Poland's share.

During the years 1976-81 Poland bought 40 million tons of grain (over 37 million tons of this from capitalist countries), 8 million tons of oil meal, oil cakes and fish meal. At present, about 1/3 of our indebtedness to capitalist countries results from unfavorable balances from sales of food and agricultural goods. In 1975 this was only 10 per cent. In 1973 we still had a favorable balance of trade in this group of goods. On the other hand, at the end of 1981, there was an unfavorable negative balance of about 8 billion in foreign exchange. Approximately 1/3 of the meat produced and consumed by us comes directly or indirectly through imports. Our country cannot endure such a burden for economic and political reasons. This must change.

[Question] We bought because our appetites grew and we chose this concept of subsistence. There are, after all, numerous countries that also buy a great deal of raw materials--grain and feed--and convert them into meat...

[Was] ...but they do not have an unfavorable balance because of this; on the contrary, they make a profit. In the 1970's, the fallacious conviction predominated that we could succeed in realizing such an agricultural model in our country as, for example, Denmark or Holland, based on large imports of raw materials and the simultaneous export of livestock products. It was assumed that this could be achieved since we have a large breeding stock, there is no shortage of labor in the rural areas, and the meat industry is quite good and has been expanded.

Theoretically, this idea was correct, but did not prove to be true under our circumstances. We did not foresee that there would be a greatly increased internal demand for meat at this time. One reason was that, new customers appeared--about 10 million people who, until then had not bought this amount of meat. As we recall, the population influx from the rural areas to the cities was considerable. To meet this additional demand, a substantial portion of the meat had to be directed not for export--as was earlier anticipated--but to the domestic market. The second reason for the collapse of this plan was that the technology of converting grain into meat used under our circumstances proved to be inefficient and, at that, very grain intensive. The transition to large-scale production on industrial type farms and private farms always leads to an increase in grain intensiveness. This is the result of the technology used. More grain was needed than the domestic stocks could allow. Since in the traditional system of fattening livestock we did not manage to attain the increase in production, which was needed, the emphasis and main resources, therefore, were directed to areas promising greater increases in production. In any case, however, it was impossible to keep up with the rising demand.

[Question] One can say, then, that plans are not judged according to strengths.

[Was] The error lies elsewhere. It was simply impossible to accomplish. At the base of the country's current difficult food situation lies the acceptance of the erroneous concept of the food consumption model. The point of departure for planning the development of the food economy was consumption demand and not the production capabilities of agriculture. At the same time it was planned and attempted to achieve such a large increase of food, meat above all, that the growth of the country's feed supply could not keep up for reasons of biology, technology, and the like. An increase in the import of grain and feed appeared to be the only way. We based the food consumption model on meat which is very expensive to produce. Not only were imported feeds needed to meet growing demand, but so were technologies introduced from abroad, industrial farms, among others, poultry-breeding material, etc.

[Question] Perhaps the stress on the development of this most expensive direction of food production would not be so great if we had had other, more efficient branches of the food industry - they would be capable of delivering to the market other valuable articles such as dairy products, fish products, vegetable products, and the like. Our food market is primitive and meager, narrow and, at the same time, very costly. If you don't buy any meat, it is difficult to count on anything else.

[Wos] That is why, in order to achieve a higher degree of self-reliance, we must begin with a general change of orientation in the structure of food consumption. We will never achieve self-reliance in food by forcing only an increase of products in agriculture--changes must take place on both sides. This especially means that an enrichment of the goods offered to the consumers by the food economy, the delivery of a greater number of dairy products, which are the cheapest source of animal protein, valuable and rich vegetable products, and the like are imperative.

According to our estimation, Polish agriculture generates that volume of so-called primary ingredients essential to the maintenance of the people's diet at a high standard. On the other hand, the production structure is faulty and, furthermore, we suffer enormous losses of these valuable products in all links of the food distribution chain.

[Question] Let us move from theories to practical suggestions. What kinds of possibilities for increasing the supply of food commodities do you see, Professor?

[Wos] I think that, at present, the reduction of losses is more important than forcing the rate of growth in agricultural production. Production growth is obviously necessary, but it is more costly and encounters many barriers. They occur in agriculture itself and result from the nature of that production. They also exist in other branches of agriculture--if we were to establish an overly quick rate of growth for agricultural products, we would come up against balance problems in the economy, difficulties with the increase of gas, oil and other raw materials.

Consequently, it is necessary to take advantage of another course as well. At present, we are losing about 1/3 of the agricultural crop of green forage through poor conservation, mistakes in livestock feeding, and the like. The situation is similar in the case of other raw agricultural goods. Obviously, it will not be possible to avoid all of these losses, but they can be reduced. Information on the impact of a 1 percent reduction in losses of agricultural products will be given in our study. However, I would like to caution immediately against delusions that this can be secured without cost; this also must have a price. These losses are not generated by any kinds of negligence of the farmers themselves, but arise from the structure and organization of production. For instance, there are gaps in technologies, and what we gain in one link of the chain, we frequently lose in the next one. After a well-done ploughing and tillage, it happens at times that there are no resources for gathering and preserving the harvest. At times, there is no way to handle high yields. We could furnish many similar examples.

[Question] The requirements addressed in sectors associated with the food industry are becoming clearly evident. Have they already been specified?

[Wos] These matters are not entirely new and, through representatives of agriculture, were already repeatedly signalled, but without outstanding results. One point, among others, is the removal of defects in technology.

Technologies used in production are without internal cohesion, there are numerous gaps--whereas every link in this production chain is important. This applies to agriculture as well as to the food industry. A very weak point in the food economy is transport (on farms and elsewhere) as well as trade. Resolution of all of these shortcomings must entail investment expenditures. The approach to them, however, must be different than [that used] previously--technological flows should be examined from the point of view of completeness and resources should be directed toward making up those shortcomings. Then, technology applied to agriculture would be considerably more effective than it has been.

Qualitatively different problems arise in the food industry. This involves the production of a greater volume of high-grade food commodities, during the transformation process, from a unit of delivered agricultural product. We do not take advantage of such possibilities in many sectors; for instance, we are a power in the production of potatoes, but we do not have a fully developed processing industry. For instance, we have been bringing in potato flour from abroad for years. The same applies to the dairy industry. Nor do we turn into profit the expansion capabilities of protein production from leguminous plants. The food industry is--as a result of previous investment policy--an insufficiently individualized market and ill-suited for the needs of the market place. Nevertheless, it ought to play a leading role in shaping the structure of consumption and improvement of diet, and delivering to the market place products that are inexpensive and are characterized by a high nutritional standard.

[Question] The prevailing situation--both in agriculture and in the food industry--is not conducive to this direction of activity. They are working under the pressure of [demand for] sheer numbers of basic commodities. Until we snap the thread of this barrier--quantitative shortages--such structural changes as you, sir, are speaking of, will be difficult enough.

[Was] These stipulations do not cancel out the tasks in the area of production expansion. But you should observe that by forcing the rate of production growth--for such an unsound and undeveloped structure--of which I spoke--we will suffer greater losses as a consequence. This vicious circle must be broken some day, knowing that ways of improving the food supply in the market place include reduction of these losses, and better use of raw materials already produced, not just increased production.

I must remind you that in order to gain an increase in an agricultural end product of 1 zloty, we must spend about 12 zloty on capital expenditure in various sectors of the food production chain. Irrespective of the high cost of production growth, we must also take into consideration the limited "capacity" of agriculture, its ability to absorb and use effectively these expenditures in a short period of time. This ability is, on the other hand, considerably greater in the case of expenditures to correct the present faulty structure of the processing apparatus.

[Question] All of this directs our attention to the area of industry--will it be in a position to take up this challenge?

[Wos] It must be transformed. Industry now supplying the economy with food operates under the pressure of demands for sheer numbers of basic commodities. In retrospect--if we wish to get out of the food crisis at all--it must include as well what we are discussing here. In some branches, these would be very profound changes and the preparations must begin right now. For instance, for the development of production of an entire series of dairy farm equipment--from the barn to the dairy--not only are appropriate plans required, but high quality steel, materials, chemical agents, etc., as well. In world agricultural production, 500-600 pesticides are used, while we produce scarcely a dozen or so, and import the rest if we can afford them. For the time being, we have many of our own raw materials needed for this production (e.g., sulphur, copper), but the chemical plants are inadequately developed. Numerous prophylactic preparations for animal husbandry, and better quality steel for equipment and farm machinery are needed. These are only examples. However, it takes time to set production in motion--or to develop it in accordance with the needs of the economy.

[Question] Many of these topics were already taken up and studied by trade establishments, and by institutes in the area of agriculture and the food industry. Therefore, these matters are not new.

[Wos] This is true, but realizable plans must now emerge from this and industry should initiate the preparations. First, however, another discussion of the prospects for our food economy should be undertaken.

[Mr Makowiecki] Thank you for the interview.

1891

CSO: 2600/351

POLAND, ZSL AGRICULTURAL POLICY DISCUSSED

Joint Guidelines Still Valid

Warsaw RZECZPOSPOLITA in Polish 2 Feb 82 p 5

[Article by L. Staszynski: "3 and ZSL Agricultural Policy--Consistent Continuation"]

[Text] The past year in agriculture was unusual in many respects. It was a year in which for the first time in many years we noted no decline in agricultural lands owned by private farmers. On the contrary, the position of peasant ownership in agriculture increased somewhat. During the years 1970 to 1980 the private land area decreased by more than 1.7 million hectares. As late as the year 1980 a decrease of more than 130,000 hectares of farmland was noted in this sector. Thus, the year 1981 was a turning point in this respect.

This is clear proof that the principle of the unity of Polish agriculture and constant development prospects of peasant farms proclaimed by the PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee a year ago has borne fruit. Peasant interest in the soil and its intensive utilization has clearly increased, something that was brought about by concrete actions which facilitated land turnover, and by the state's guarantees which will soon be confirmed by statute--of the inviolability of peasant ownership in agriculture.

As a result of the implementation of joint "guidelines" of both parties, 1981 also brought clear economic progress throughout agriculture. It was a year of substantial increase sales prices of farm commodities. For the first time the farm population's income parity came close to the income levels of other occupational groups. The guidelines also declared the maintenance of this base in the future and for appropriate regulation of sales prices in the event of increased costs of the means of production.

Some opinion has it that the ample influx of new money to the village has not as yet resulted in increases in the production of farm commodities. Actually, the agricultural population's increase in cash receipts was accompanied not by growth, but by a drop in the purchase of some important farm products. The causes of this phenomena are complex. Chief among them

were the very bad crops in 1980 as well as the lack of socio-political stability in the country, something that always raises uncertainty in agriculture and disturbs the normal functioning of the market.

The effects of price increases cannot be immediate. The production cycle in agriculture is long-lasting. Some quickening in the marketable production of slaughter animals is observable only now. It will be necessary to wait for the full results of the economic incentives, but not with folded hands.

The village wants to produce. However, agricultural production requirements need to be better satisfied. An appraisal of implementation of the guidelines conducted by the PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee shows that the village continues to experience a serious lack of machines and farm tools, mineral fertilizers, pesticides, fodder components, spare parts, etc. The list of unsatisfied agricultural needs and uncompleted tasks is a long one. Thus, instead of complaining about the unsatisfactory yield of marketable crops, a yield that is and which no doubt will continue to improve, let us look at the village as a renewed outlet for industrial products, small manufactures, and the most varied goods and services.

At a time of agricultural reform, the absorptive village market with money at its command is an especially convenient factor for establishments producing for agriculture. The PZPR Central Committee's Political Bureau and ZSL Presidium's Chief Committee's appraisal also favors financial preferences (including) foreign exchange and raw material for industries working for agriculture. This will improve conditions to accomplish their tasks.

The meager supplies of production means need to be divided wisely in agriculture so that they will bring optimal results. The close linkage of the contract system for agricultural products to provide the village with the means of production announced in the appraisal will serve that purpose. This is fully understandable and essential under existing conditions, as is the acceptance of the principle of the use of substantially higher prices for contracted products in comparison to noncontracted ones.

The appraisal formulates agriculture's current tasks. The most important of these are full utilization of the soil, the execution of this responsibility by all agricultural farms. Effective economic-legal instruments including draft laws introduced in the Sejm must serve this purpose.

It is evident from the appraisal that the crucial assumptions of PZPR and ZSL agricultural policy of the past year have a permanent character. This applies in full to the new position of village self-government and agricultural producer associations. Although this process did not occur without snags, tensions and conflicts, efforts to disturb established statutes, expansion of strike action calculated to shatter the unity of the village--the appraisal continues to strongly emphasize the role of village self-government in the future development of agriculture. It also points out the necessity of increasing the influence of self-government and speeding up the process of having village cooperatives become independent. Finally,

the appraisal emphasizes the significance of the agreements concluded by the government with representatives of the agricultural community, which in the main, are already fulfilled or are in the course of fulfillment.

Although the appraisal is not without tones of severe criticism, it is comforting, and despite everything, optimistic. The guidelines adopted last year by the PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee with respect to agriculture and the entire foodstuffs economy--in the difficult conditions which confront our country in the import of agricultural foodstuffs--now show their great value all the more. The appraisal shows the accuracy and pertinence of the agricultural policy begun last year, as well as the unbreakable will of consistent accomplishment of the decisions adopted by the PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee.

Initial Stage of Implementation

Warsaw CHLOPSKA DROGA in Polish 10 Feb 82 p 7

[Text] Apart from agricultural circles and organizations, several organizations of the "Solidarity" type undertook actions in the villages in 1981 to organize individual farmers. Their basic statutory goals were convergent and assumed the carrying on of union activity. In practice, however, as the result of some of the union's activists, union activities often exceeded statutory limits, something that was expressed in undertaking and developing strike actions linked with the occupation of public buildings. This aggravated social tensions and shattered village unity. In a few cases, though not isolated ones, partnerlike cooperation was established with other agricultural self-government organizations as a result of the resolute attitude of farmer members of such unions.

The PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee critically evaluate the effectiveness of agricultural service influence on the development of agricultural education and on progress in individual farms and villages. There is a lack of satisfactory progress in the realization of guidelines pertaining to the organization of instructional and advisory activity of the cooperative agricultural services and in the agriculture-consumer industry.

Employment Conditions In the Village

Among others, a draft law was prepared and submitted to the Sejm on social insurance for farmers. Lowest agricultural pensions and amenities were in effect, as were the number of places for farmers in sanatoriums. Work was begun on defining the minimum social services for farmers and achievement of a program to establish a network of village health facilities. Work was also begun and expedited on a report of the agricultural population's health.

The Rural Youth Union (ZMW) expanded its activities during the guidelines accomplishment period. The Union embraces about 170,000 young people in its

ranks. In its program, the union refers to the progressive traditions of the youth movement in the village and proclaims its role in resolving the vocational and social problems of the young generation of farmers. The Polish Socialist Youth Union (ZSMP) also operates in the village. The similarity of goals set by both organizations forms a basis for establishing constructive cooperation while maintaining independence and statutory separateness.

In summarizing the achievement to date of the guidelines, the PZPR Central Committee's Political Bureau and ZSL Presidium's Chief Committee state that despite the positive resolution of a series of decisions and initiation of many activities progress to date is not satisfactory. It is the result first of all, of the general socioeconomic condition and the country's political situation in which the guidelines were being carried out. Subjective causes also had an effect on the achievement of progress. Among others, energetic enough action was not taken by a series of state administration and economy elements, particularly in industry.

Key problems of agricultural policy contained in the guidelines, extensive discussions of that document, and the decisions resulting from talks conducted by state authorities with representatives of the agricultural community found expression in the contents of social agreements and proposals and suggestions accepted by the government for further achievement. From the appraisals made it appears that most of the decisions have been carried out or are in process of achievement (we provided extensive information on this in articles entitled "Ustrzyk and Rzeszow Agreements and Their Accomplishment" "Chlopska Drosa" nrs 97 and 98, 1981).

Most Important Decisions

In addition to the positive tendencies to activate a socio-productive village and agriculture, the appraisal shows the necessity for consistent achievement of the decisions contained in the guidelines. The PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee consider the following current activities in this area to be most important.

1. The restoration of economic ties between the city and the village to assure improved conditions for feeding the people. Improvement is essential in supplying industrial production means for agriculture, regular deliveries and a decidedly improved yield of marketable crops by all agriculture. To this end it is necessary to adopt a detailed industrial reorganization timetable by the end of February 1982 to meet agriculture's needs for industrial means of production. This should be expressed in appropriate goal-problem programs that specify offers, resources and forms of contact, as well as interbranch organizational structures. Foreign exchange and raw material preferences also need to be determined for the machinery and chemical industries with respect to that which pertains to the manufacture of goods for agriculture.

2. The introduction of universal voluntary contract production worked out in industry's raw material services, and the organization of procurement in close cooperation with farmer unions and associations. It is necessary to

assure appropriate linkage of the contract system with the sale of basic production resources on the basis of exclusivity (mineral fertilizers, coal, protein feeds), and investment choice (machinery, agricultural equipment and building materials) State Land Fund (PFZ) lands, as well as credit outlays for production sales. The contract system should assure strict agreement on task accomplishments through, among others, the introduction of damages exacted from the side which fails to fulfill agreement terms. Contract prices should be substantially higher than noncontracted product prices. Prepayments on production resources in short supply should be introduced within the framework of the contract system.

3. Consistent realization of the principle of the constant profitability of agricultural production (the principle of fluctuating prices) requires the maintenance of not less than an equivalent income parity of the agricultural and semiagricultural population, realization of the announced system of subsidies for products sold to the state by farmers and agricultural collectives in a period preceding changes in agricultural prices. In order to rebuild the economic ties between the city, village and the agricultural market, and also to stimulate production on all farms, the introduction of new prices on production resources, agricultural products and food retail prices of food beginning on 1 February 1982 is indispensable.

4. Adoption of an agricultural and food economy development program to 1985, and assurance of conditions for its attainment through a kind of shaping of plan proportions for the current 5-year period which guarantees practical conditions for its accomplishment. In consideration of the importance of food and agriculture, it is recommended to the government that the program for the development of agriculture and the foodstuffs be submitted to the PRL Sejm deliberations.

5. Directing specified amounts of investment funds toward the foodstuffs first and foremost for land reclamation, and streamlining, modernization and expansion of the preservation and processing of raw agricultural products and foodstuff items. Commitment of investment funds is particularly needed to procure, process and supply dairy products, fats and grain products.

6. Ensuring full productive utilization of the land from all agricultural farms. This pertains particularly to lands which are currently neglected, it is necessary to use state funds to equalize land prices with the level of prices which occur in land sales between farmers. The introduction of effective economic-legal instruments that socially and economically favor the shaping of desired changes in the agrarian structure, reclamation and preservation of arable lands before they are assigned to nonagricultural purposes is indispensable. Drafts of statutes submitted to the Sejm that include guarantees of the permanence of private agricultural farms and the rational land use.

7. Concentrating organizational-technical potential on material supplies and reclamation works, and also on furnishing agriculture with water.

8. Linking the efforts of the Sejm deputy clubs in both parties to get the PRL Sejm to approve the draft of a new statute on social insurance for private farmers.

9. Assuring a higher level of production services and a decisive improvement in servicing the village and farms. This pertains particularly to cooperative and state agricultural units, and also the entire agricultural service. It is necessary to expand the network of small agriculture-food processing plants. To this end it is necessary to assure essential conditions to create these types of socialized enterprises, as well as of manual laborer groups and craftsman enterprises.

10. Undertaking work to prepare and then introduce a new tax system. This system ought to return to tax its economic functions [sic]. It must also make an allowance for a proper differentiation of the liabilities of good and poor lands, and farm sizes. It must also influence the full utilization of agricultural lands, intensify total production and commodity production on all agricultural farms, as well as shape farm income according to actual work input.

The suggestions resulting from the appraisal made of the initial phase of guidelines accomplishment indicate the necessity for the comprehensive mobilization of efforts to create favorable socioeconomic conditions for the development of production and agricultural progress. At the same time it is recognized that the primary task of agriculture is increasing the production of food on all farms but particularly private ones, in order to feed people. Thus, the PZPR Central Committee's Political Bureau and the ZSL Presidium's Chief Committee take the position on the need for periodic analyses by all the echelons of both parties, of progress in achieving the guidelines, taking into consideration social agreements, as well as the requirements of the current socio-political and economic situation.

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FINANCE POLICY FOR 1982 EXPLAINED BY MINISTER

Warsaw RZECZPOSPOLITA in Polish 2 Feb 82 p4

[Interview with Deputy Minister of Finance Witold Bien, by Marius Chmielowski: "Tasks of Financial Policy in 1982: Enterprises Must be Profitable, Social and Cultural Services at the Previous Level, Greater Local Independence"]

[Host] [Question] We will begin our interview you on the tasks of financial policy in 1982, Mr Minister, with a look backward. The past year saw a further worsening of the economic disequilibrium, despite the efforts made by the finance ministry to counteract this process. In the perspective of time, how would you assess the effectiveness of these measures?

[Answer] We estimate that in 1981 the population's income increased by about 450 billion zlotys, or nearly 37 percent, over the previous year. During the same time, the value of sales of industrial production declined by more than 17 percent. The very presentation of these figures shows that our efforts managed only partially to ease the imbalance of the economy and were not enough to eliminate this phenomenon.

Nevertheless, as the result of savings measures, we reduced outlays for the state administration, as the result of reducing the number of ministries. Expenditure was reduced in local administration and also in the industrial areas (OZOs) before they were put up for liquidation. There were great savings in the outlays for various sorts of representation and presentation, for the maintenance of foreign posts, foreign travel, and where possible, the renovation of buildings. It is difficult to mention all the items in the program, but we are saving on it to exceed 10 billion zlotys in savings. We should not forget that these comprehensive stabilizing actions will be helped by the continuing atmosphere of political unrest.

[Question] The profound economic crisis is still with us...

[Answer] And the basic reason, the basic direction of financial policy, as from 1980, remains to overcome it, are still timely, except that now they have been written into the legal resolutions delineating the way for economic reform and implementing the basic principles of the independence

and self-financing of enterprises. The "ground rules" were clearly specified in the system of enterprise taxation and clearing of accounts. In addition, the relationship between management effectiveness and the means and resources available to the enterprises was made crystal clear. In other words, the enterprises can handle independently the income they earn, after paying taxes, for which they know the size and range ahead of time.

[Question] This is directly related to the problem of prices. Will the introduction of the new system of producer prices permit all enterprises to follow the self-financing principle?

[Answer] The price system should insure that all enterprises achieve certain profits, although they will not be able to cover the costs of waste, failure to make full use of production potential, or the maintenance of employment at levels greater than actual need. The results of the analysis of the financial situation of enterprises show that it will also be necessary to raise the prices of final products: capital goods and consumer goods.

[Question] Are the changes in retail prices of manufactured goods as promised for a long time actually necessary?

[Answer] Unfortunately, yes, although this will be a painful operation for the society, because we cannot have a repetition of the situation which took place last year and with which we are still dealing. For the first time in history, the total costs of operating all enterprises exceeded the income they received from sales by more than 100 billion zlotys. The enterprises simply did not earn enough to keep themselves going, and after all to a great extent the income of the enterprises is a source of state budget income.

[Question] The logical consequence of such a situation should be to reduce expenditures for the whole sphere of social and cultural services...

[Answer] On the other hand, this would go contrary to basic principles of social policy. Despite the abnormal situation of the enterprises, the state last year concerned itself with the broad care of what we call the protected spheres. In other words, outlays for social and cultural equipment, taking into account to a substantial extent the rise in earnings in this sphere, increased by about 30 percent. The figures were 35 percent for general education and child care, 16 percent for higher education, 19 percent for art and culture, and 57 percent for social welfare. The municipal economy, which is closely related to the satisfaction of the population's basic needs, was also included in the protected spheres.

[Question] This could not fail to influence the state budget, in which our economy's condition is reflected as in a mirror. Do we have the data concerning its fulfillment yet?

[Answer] The final data are not out yet. All we have are the preliminary figures, but they portray the condition of our economy rather faithfully. The first thing that strikes us is the fact that budget income was nearly 5 percent less than in 1980, although outlays were 19 percent higher. This means that last year's ~~budget~~ has a deficit of about 150 billion zlotys.

[Question] This year will be as difficult a year for our economy as last year. Will the production restrictions resulting from the generally known causes not have an adverse impact on those areas of our economy which are of greatest importance to the population's living needs?

[Answer] Even today we are seeing in the sphere of social and cultural services that production limitations are having an adverse impact on quality. It must be hoped that in 1982, as the economy becomes more stable, it will be possible to supply materially better the above-mentioned spheres, because funds have been provided for these very purposes in the draft budget. Alongside the economic reform, the second basic direction of state financial policy this year is to guarantee that society will have social services on a level at least equal to the past level.

[Question] Therefore, Mr Minister, we should not be afraid about the restrictions in the budgets of the people's councils, inasmuch as there will be resources to finance these services?

[Answer] A large share, that is, more than 70 percent, of the outlays for the protected spheres come from the local budgets. For this reason, in the draft budget of the state we have given them funds to insure that they are covered in full. This means that the whole burden of the local budget deficits are being assumed by the central budget. We expect the people's councils budget policy this year to be flexible to a greater extent, because the councils are assured freedom in handling not only budget surpluses but also savings for outlays and the shifting of funds for various purposes, with only a few exceptions.

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VOJVODINA PLANS FOR EXPANSION OF SMALL BUSINESS

Belgrade BORBA in Serbo-Croatian 10 Mar 82 p 2

[Excerpt] With the signing of the social agreement on the faster development of small-scale business, this long-neglected sector in Vojvodina is beginning to develop. Several hundred artisan shops have opened, total revenue, income and net income of this sector are increasing, and losses are being reduced to a minimum. After more than a decade in which small businesses eked out a living, they are acquiring the place that belongs to them. People are nevertheless dissatisfied and it appears that much more could be done here.

The number of service and other organizations is unsatisfactory. There are somewhat more than 140 small enterprises with only about 11,000 workers; many more are needed. For this better cooperation between large and small enterprises is required. As a result, Vojvodina is spending a considerable amount of hard currency for importing small items which could easily be made in the province.

[In addition] about 17,000 workers are employed in about 12,000 private artisan shops, but this could be considerably increased. Namely, regulations permit up to five workers in a private shop, in addition to the owner, but this is not the case in practice. Josip Kolar, member of the presidium of the Vojvodina Trade Union Federation, said that nothing is yet being done to build small capacities as extensions of large factories. "We have lacked programs for building mini-factories and workshops in undeveloped opstinas." Thus, those in Vojvodina are planning to build a small factory in each of its 50 opstinas which would open up at least 2,500 jobs.

With the Social Agreement on Developing Small Business, an additional 1,000 workers will be employed in the 140 artisan and other organizations. New artisan shops have been opened largely by returnees from abroad.

Small business is being stimulated by favorable credits and tax benefits, easier acquisition of business space, etc. It is also expected that large work organizations will include in their development programs plans for association, cooperation, division of labor, and specialization of production involving small businesses.

CSO: 2800/308

BRIEFS

FUTURE ENERGY PLANS--Republic organs estimate that it will be necessary to build production facilities capable of generating 4,000 megawatts of electric power by the year 2000; while facilities to produce an additional 7,000 megawatts would have to be built in the subsequent 10 years after this, so that by 2010 there should be power stations generating a total of 11,000 megawatts based on coal and nuclear fuel. This assumes the use of thus far-unused water potential in Serbia. At present coal reserves throughout Yugoslavia are the basic source of energy and this will remain so for a long time. Unfortunately, most of this coal in Serbia is lignite concentrated in the Kostolac and Kolubara basins where 2,363 million tons of exploitable reserves of lignite have been established, 940 million tons of which is being exploited or preparations for its exploitation are being made. It is believed that after 1990 coal from these two basins could fuel power plants to generate 1,400 megawatts. Investment also in new power plants based on lignite from Kosovo is being considered to meet needs from 1990 to 2000. [Serbian] republic organs believe nuclear power capacities to produce 2,000 megawatts should be built in addition. There is already a preparatory program in Serbia to build nuclear power facilities. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13-15 Mar 82 p 6]

POWER PRODUCTION--In 1985, 32 million more tons of coal should be produced than in 1982, in addition to 600,000 more tons of oil, and 3 billion more cubic meters of natural gas. This will require an investment of 155 billion dinars. This year 60 million tons of coal are expected to be produced; the increase is expected from mines (Kolubara, Kostolac, Oslomej, and others) which supply thermal electric power plants, but the increase also depends on putting new thermal electric power plants into operation and increasing the hours of operation. In 1980 Yugoslav hydroelectric power plants produced 25 billion kilowatts of electric power. In that year, which was considered average in regard to water accumulation, electric power consumption in Yugoslavia was 59.2 [billion] kwh. It is believed that Yugoslavia has the water potential to produce 64 billion kwh. Construction of the hydroelectric power plant on the Drina River alone should result in the production of 10 billion kwh. According to the Yugoslav Electric Power Association, electric power consumption will amount to 85 billion kwh by 1985: hydroelectric power plants will produce 29 billion kwh, nuclear power plants 4 billion kwh, thermal electric power plants fueled by mazut 12 billion kwh, while the remaining 40 billion kwh will be produced by thermal electric power plants based on coal. By 2000 total

electric power consumption is expected to amount to 181-190 billion kwh: it is expected that hydroelectric power plants will produce 55 billion kwh, nuclear power plants 15 kwh, and thermal electric power plants based on coal 120 billion kwh. At present our country is near the bottom of the European ladder in regard to per-capita electric power consumption (namely, 2,300 kwh). In regard to nuclear capacities, the Krsko plant when it attains full operation will produce about 4.5 billion kwh. The Prevlaka nuclear plant when it is built will generate 1,000 megawatts; construction of this plant should begin at the beginning of 1985 and produce 7 billion kwh by 1992. According to present plans, nuclear power plants will start to be built in the year 2000 in Serbia, Vojvodina, Macedonia, and Bosnia-Herzegovina. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6-8 Mar 82 p 2]

SEASONAL WORKERS IN SWITZERLAND--Last year 37,000 of our people returned from 9-month's work in Switzerland (including 25,000 construction workers, 6,000 hotel and restaurant workers, 4,000 farm workers, and a small number working in health services). Most (12,000) were from Kosovo. Considering all we have heard and read about the difficult life for these workers there, the Yugoslav Trade Union Federation will try to protect their interests at least to some degree this year; since Switzerland is the only West European country with which Yugoslavia has not yet concluded an agreement on employment. Also, this year travel departures and work will be organized by republic and provincial employment bureaus, instead of the tourist organization "Centroturist." This should be done by 9 March. Thus, this year our people can expect more security in travel and work, but only those who are officially registered through the employment bureau. A large number of work contracts (about 50 percent) are sent directly to the address of the worker and not to the Federal Bureau for Employment Affairs. Therefore, all these workers should report to employment bureaus for inclusion in organized travel. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 27 Feb 82 SEDAM DANA supplement p 6]

WESTERN CRITICISM CITED--We quote the following from the February issue of the journal "Europa 82" published by the Commission of the European Community in an article entitled, "Test for Yugoslavia--and Europe": "The Yugoslavs are understandably proud of their version of socialism based on the principle that every adult citizen, either on the job or in his local community, can say how his country will be developed. In practice, they have permitted the system to become expensive and, with time, wasteful, leading to the anomaly of low productivity and regional autarky which was never the intention of the 1974 Constitution. Here is an example which pertains also to the European Community. Eighteen months after the European Investment Bank reported that it will invest 124 million pounds in the next 5 years in development projects in industry, agriculture, energy, tourism, and fishing [in Yugoslavia] not one offer has arrived (from Yugoslavia). This vacillation is caused by the long process of contracting and reaching accord, so that agreement can be achieved by the republics and provinces in regard to [what is in the] federal interest. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 22 Feb 82 p 8]

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15 April 1982

